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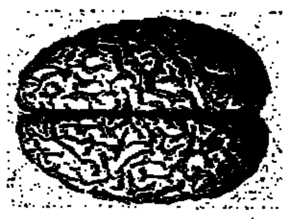

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World Business Newspaper TUESDAY NOVEMBER 14 1995 D8523A

Pressure builds on Shell over Nigerian natural gas plant

Shell is under increasing pressure over a planned $4bn liquefied natural gas plant in Nigeria as the European Union prepares to step up sanctions in protest at the hanging of nine minority rights activists. Protesters in Hamburg erected a mock gallows outside the company's German headquarters, while Shell denied reports that it had delayed a decision on whether to invest in the plant. Shell's UK staff lose out in job cuts, Page 3; 'No doubts' over Nigeria gas project, Page 10; Foreign investors in no hurry to divest, Page 10; Observer, Page 19

Emu blueprint set to follow German line: A blueprint for the introduction of a single European currency, due out today, will reflect some of Germany's key demands, including a long transitional phase, Bundesbank president Hans Tietmeyer said. Page 3; Editorial Comment, Page 19

Juppé gives pledge on French welfare gap

French prime minister Alain Juppé (left) promised "profound and audacious" action to rescue the country's social security system and eliminate accumulated welfare deficits of FFr230bn ($47.22bn). The reform is the government's biggest challenge and may determine whether France qualifies for European monetary union in 1999. But the strategy, backed by President Jacques Chirac, fuelled concerns about France's slowing economy. Page 2

Strong demand for Adidas share offer: Shares in Adidas, the German sports goods maker, are expected to rise sharply when trading begins on Friday after it emerged a public offering of them was oversubscribed by more than 12 times. Page 21

Indonesia halves PT Telkom equity offer: Indonesia's fledgling privatisation programme suffered an embarrassing setback when the government halved the size of an international equity offering for PT Telkom, its telecommunications company. Page 21; Lex, Page 20

Swiss help probe Airbus bribe claims: The Royal Canadian Mounted Police have asked the Swiss authorities for help in investigating allegations that bribes were paid during a large sale of Airbus aircraft to Air Canada. Page 20

Chung Hwa Picture Tube, the Taiwanese company which is the world's largest producer of cathode ray tubes, is expected to announce a $368m investment to build a plant in Scotland. Page 20

Cracks show in Fujimori's authority: Principal candidates backed by Peru's President Alberto Fujimori in the municipal ballot have been defeated for the first time in six nationwide elections since 1990. Page 7

Saab Automobile, the Swedish carmaker managed and half-owned by General Motors of the US, has plunged back into the red nine months after recording its first profit for six years. Page 21

Tokyo fails to ease Apec farm row: Japan failed to resolve a farm trade row between Pacific rim governments when the wording of a compromise draft trade document was rejected by some delegates at a forum in Osaka. Page 6

BBA Group, the engineering and industrial products company, has further streamlined its industrial division by selling four subsidiaries for £19m ($30m). Page 26

CanWest in bid for national TV network: Canadian broadcasting group CanWest Global Communications aims to cement a national TV network with a C$636m (US$471m) bid for Vancouver's WIC Western International Communications. Page 24

Burma shifts from reliance on China: A senior member of Burma's military junta has visited Russia for the first time and diplomats in Rangoon strongly suspect the Russians will have offered to sell arms to the regime, underlining that its reliance on China, its principal foreign partner, has become less vital. Page 8

Correction: A group photograph published on November 13 included Mr Jean Chrétien, the Canadian prime minister, and not Mr Jim Bolger, the New Zealand prime minister, as was described in a news agency caption.

Due to technical problems, some prices contained in the FT managed funds service have not been updated for this edition.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,868.39	(-3.98)
NASDAQ Composite	1,065.25	(+1.38)
Europe and Far East		
CAC40	1,838.24	(-1.58)
DAX	2,175.28	(+3.11)
FT-SE 100	3,538.8	(+13.4)
Nikkei	17,789.46	(-54.10)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.573%
Long Bond	107⅞
Yield	6.281%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(6¹¹⁄₁₆%)
UK: 10 yr Gilt	104⁵⁄₃₂	(104[illegible])
France: 10 yr OAT	104.6	(104.17)
Germany: 10 yr Bund	101.2	(101.0)
Japan: 10 yr JGB	113.389	(113.318)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$16.375	(16.62)

GOLD

New York Comex		
(Dec)	$388.1	(390.5)
London:		
close	$388.0	(388.85)

DOLLAR

New York lunchtime		
£	1.554	
DM	1.41815	
FFr	4.8925	
SFr	1.1425	
Y	101.60	
London:		
£	1.5587	(1.5753)
DM	1.4195	(1.4123)
FFr	4.8941	(4.8755)
SFr	1.1442	(1.1375)
Y	101.725	(100.7)

STERLING

DM	2.2125	(2.2248)
Tokyo close:	Y 100.27	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv110.00	Iceland	IKr270	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kcs55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta260		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Esc230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.90	Lux	LFr70			UAE	Dh12.00		

Riyadh military communication centre wrecked ■ Clinton condemns 'hideous act'

Americans killed by Saudi car bomb

By Robert Corzine and David Gardner in Riyadh

At least six people were killed, including four Americans, and more than 60 were injured yesterday when an explosion, caused by a car bomb, wrecked a military communication centre in Riyadh, the Saudi Arabian capital.

Minutes later, a US army sergeant waved his hands in despair: "Yes, there are dead, and there are casualties." Badly shaken US soldiers walked slowly from the remains of the communication centre.

The target of the attack was a three-storey building used by US military advisers to the Saudi National Guard, under the command of Crown Prince Abdullah, the heir-apparent to King Fahd.

Part of the complex collapsed, while buildings within a half kilometre radius had their windows blown in. Midday prayers continued at a mosque 700 metres away, despite broken windows and hot twisted metal from the blast which had landed on its window ledge.

In Washington, US president Bill Clinton described the attack as a "hideous act" and a "brutal reminder" that the US was not immune to terrorism, either at home or abroad. It was unclear who planted the bomb, though an unknown group calling itself the Tigers of the Gulf later claimed responsibility.

An uncharacteristic lapse in control-obsessed Riyadh ......Page 10

News that bombers had struck such a sensitive target in the capital of the world's largest petroleum exporter pushed up oil prices by 15 cents a barrel in early trading. However, the price of the benchmark Brent Blend closed less than a cent above Friday's close.

At the scene of the attack, a western executive with GPT, the telecommunications arm of General Electric Company of the UK, said the company had supplied and maintained the communication centre for the National Guard, the smaller of two Saudi armies and concerned primarily with internal security.

Up to 50 US service personnel were working in the building and were understood to be expert in signals and communications monitoring.

It is believed that they were training local personnel, but GPT staff would not confirm the US military role at the facility.

The target of the bombers was sandwiched between a parking lot and a supermarket. One local resident said pamphlets had been circulated in the neighbourhood about three months ago warning foreigners who support the Saudi ruling family that they were in danger.

Residents said office workers in nearby buildings had been free to park their cars next to the US-manned facilities.

Protective measures appeared unusually loose given Saudi Arabia's traditional obsession with security.

After the blast, the Saudi capital buzzed with rumours throughout the day of other explosions – none of them confirmed – including an attack on Prince Abdullah's palace and the National Guard headquarters. The Saudi government said the bombing was a crime, but officials would not speculate on who was responsible.

Yesterday's losses were the worst the US has suffered from such incidents in the Middle East since 1983, when Islamic fundamentalist suicide bombers blew up military bases in Beirut, killing 241 US servicemen and 58 French paratroopers.

Wells ups bid for bank as hostilities escalate

By Richard Waters in New York

Wells Fargo yesterday raised the value of its hostile bid for First Interstate and launched an offensive on a number of fronts to force the rival Californian bank to accept its new offer, now worth nearly $11bn.

The move comes a week after First Interstate agreed to a rival offer from a "white knight", First Bank System, and marks an escalation of hostilities in the US's first aggressive bank bid of the 1990s.

Wells Fargo's chances of success appeared to be dented by early stock market reaction to its new all-stock offer. Disappointment that the San Francisco-based bank had not raised its bid further led to a drop in its shares, reducing the value of its offer and giving it only a small edge over the First Bank bid.

Wells lifted its offer to two-thirds of a share for each First Interstate share, from its earlier level of five-eighths. After the stock market reaction, the offer was worth just under $141 for each First Interstate share, around $3 more a share than First Bank's bid.

Wells also said that its bid, which earlier had been made only to First Interstate's directors, would be made to the bank's shareholders through a formal tender offer. At the same time, it launched a battle to have First Interstate's board removed through a shareholder vote, and began legal proceedings to overturn a poison pill designed to protect the First Bank bid.

Mr Paul Hazen, Wells' chairman, left open the possibility of a higher offer, though he argued that the latest offer was worth more than initial stock market reaction indicated. He added that Wells had held talks with a number of First Interstate's biggest shareholders and claimed these had revealed extensive support for a takeover, even before the latest offer. First Interstate did not comment yesterday morning on the latest twist in the battle.

Wells' tender offer still faces a number obstacles before it can be put to shareholders. Among the most significant is likely to be gaining the approval of the California state bank superintendent, who must approve the merger of the two banks' sizeable Californian businesses.

The potential job losses in Los Angeles resulting from a Wells Fargo takeover have become a political issue there, raising the possibility that the deal may be questioned at the state level.

Even if the California regulators do not block the bid, they have the power to force hearings at federal level into the deal. That, First Bank's advisers believe, would introduce several months' delay into Wells' offer, making it possible for First Bank to put its offer to First Interstate's shareholders first.

President Clinton signing the veto on Republican legislation that would have extended the US debt limit Picture: Reuter

US services face halt as Clinton vetoes debt bill

President vows to fight for fair measure

By Jurek Martin in Washington

President Bill Clinton yesterday vetoed a Republican bill which would have temporarily raised the US debt ceiling, and attacked the party's plans to change values in American society.

The veto, which he exercised because of the bill's conditions, left the US government heading for a midnight shutdown of all but essential services. However, the US Treasury department unveiled a revised debt auction plan aimed at avoiding a default on its obligations.

The Republican legislation, Mr Clinton charged, "is part of a backdoor effort on the part of congressional Republicans to impose their priorities on our nation". Their methods, he said, included "evading the US constitution", which "gives the president the power to veto measures not in the public interest".

"I will fight it today, tomorrow, next week and next month until we get a budget that is fair to all Americans," he proclaimed during a mid-morning speech to the Democratic leadership council, the organisation of moderate Democrats that he helped found 10 years ago.

The Republicans, he said, wanted "a divided society" and "a community with fewer connections", in which citizens were told to "fend for yourselves". They were "bereft of the simple understanding that we rise and fall together".

Mr Clinton said the conditions in the bill, which extends the US government's borrowing authority, would deny Mr Robert Rubin, the Treasury secretary, "the tools he now has to avoid default under extraordinary circumstances". Other attached conditions would reverse "a 30-year bipartisan commitment to environmental protection and public health", he said.

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The Treasury yesterday announced a schedule of bill auctions today and tomorrow, including one delayed from last week, enough to pay the $102bn total of principal and interest payments due tomorrow and Thursday. It also said Mr Rubin was ready to invoke his statutory authority to underinvest in two government retirement funds to raise cash for any other needs.

Treasury moves to avert default sent bond prices higher. In early afternoon trading the benchmark 30-year long bond was ¹⁸⁄₃₂ higher at 107²⁸⁄₃₂, to yield 6.284%.

However, the possibility of an eventual default was still being taken seriously. IBCA, the European credit-rating agency, said it had put the US on rating watch for a possible downgrade of its AAA foreign and local currency long-term ratings.

Standard & Poor's, the US credit-rating agency, said on Friday that it would keep the US in its highest rating category. However, it warned that "the global capital market's unquestioned faith in US willingness to honour its financial obligations has to some degree been diminished by the failure of the government to act in a timely fashion".

There was no sign of any give from Congress yesterday as it moved to send Mr Clinton another bill providing temporary government funding until the end of the month.

That bill also comes with assorted conditions that the president said required his veto, including an increase in monthly Medicare premiums. Mr Clinton has said he would only consider negotiating directly with congressional leaders if that provision was withdrawn.

Japanese PM says high corporate tax hindering recovery

By William Dawkins in Tokyo

Mr Tomiichi Murayama, the Japanese prime minister, yesterday admitted the country's high corporate taxes were hindering its economic recovery, the first time any cabinet minister has said this.

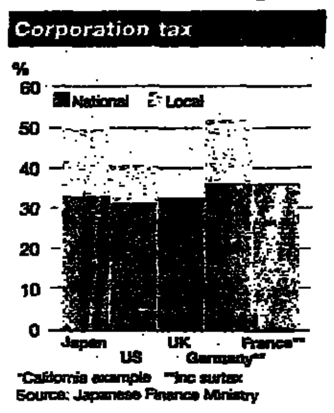
The three-party coalition government would make a policy decision on its response to mounting business pressure for a cut in corporate tax rates by the end of the year, said Mr Murayama. "We recognise ... that a high corporate tax in comparison with international standards is problematic," he said.

Japanese corporation taxes average nearly 50 per cent, nearly 10 percentage points higher than the US but slightly lower than Germany's 52 per cent, according to the finance ministry.

Mr Murayama was replying to a list of demands for tax cuts and further economic deregulation, presented yesterday by Japan's four leading business lobby groups. They also called for cuts in land and income taxes and more aggressive economic deregulation than achieved so far.

The prime minister's tax pledge was greeted with scepticism by officials of the finance ministry and Keidanren economic federation.

Corporation tax



*California example **inc surtax
Source: Japanese Finance Ministry

A tax commission panel has been considering an overhaul of the entire tax system, the first since 1988, for the past year and the process faces intricate political and financial difficulties.

The commission is due in mid-December to make a preliminary report on land tax, where it is considering calls for a freeze in an annual levy based on property value.

This was introduced in 1992 to help cool speculation and is now

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NEWS: EUROPE

French delay in new rules for markets

By Andrew Jack in Paris

Changes to the regulatory system for France's financial markets will mean a delay in the country implementing the European Union's investment services directive, it emerged yesterday. The directive is intended to liberalise financial markets in the EU.

Upsetting the timetable are proposed measures designed to make the markets watchdog, the Commission des Opérations de Bourse (COB), more independent from those operating in the markets.

Revised proposals are unlikely to be presented before the end of this month at the earliest, making their passage into law unlikely until next February after they have been fully debated in the National Assembly and the Senate.

Mr Jean Arthuis, the economics and finance minister, confirmed yesterday that the timetable for the directive was likely to slip from its theoretical starting date of January 1 next year.

He would not reveal precise details of the modifications to the law, but they are believed to relate largely to the structure of the COB, which regulates the French equities and derivatives markets.

Representatives of the French financial markets argue that Paris has already undergone substantial restructuring in the past few years and is open to foreign competition. This should make the transition to the new regime specified by the EU directive relatively easy.

As a result, one senior French official expressed discomfort that the name of the draft French law in August had been changed to "modification of stock market and financial activities" because, he argued, they were already modern.

However, the modifications planned by Mr Arthuis largely reflect the conclusions in a report he signed before he became a minister earlier this year. This was issued by the Senate finance commission, and called for changes to the way in which the COB is governed.

The report was partly a reaction to growing criticism that the COB lacks adequate independence from the financial services sector. It is currently governed by a council of members who are drawn from the companies operating in the market and who serve four-year terms.

The Senate committee called instead for a board of six regulators, to be appointed for nine-year terms, who would be nominated by parliament and ratified by the cabinet. They would vote among themselves to choose a chairman.

This process would cause difficulties for Mr Michel Prada, a civil servant appointed in the past few weeks as chairman of the COB for a six-year term following the expiry of mandate of Mr Jean Saint-Geours, who came into office in 1989.

Bold action is promised to rescue the ailing social security system

Juppé pledge on welfare gap

By John Ridding in Paris

"Profound and audacious" action was promised yesterday by Mr Alain Juppé, the French prime minister, to rescue the country's stricken social security system and eliminate accumulated welfare deficits of FFr230bn (£30bn). He was opening a debate in the National Assembly ahead of the announcement of welfare reform measures and a confidence vote scheduled for tomorrow.

The reform is the government's biggest challenge and may determine whether France qualifies for European monetary union in 1999. Failure to eliminate the annual FFr60bn welfare shortfall by 1997 would undermine attempts to cut the country's public deficits from a forecast 5 per cent this year to the 3 per cent maximum laid down in the Maastricht treaty.

But Mr Juppé's deficit cutting strategy, backed by President Jacques Chirac, yesterday fuelled concerns about France's slowing economy. The sensitivity of welfare reform is also creating resistance from trade unions and tensions within the prime minister's Gaullist RPR party and its centre-right UDF partner.

Unions will today hold a series of national demonstrations in defence of the social security system, while the Communist-led CGT union has called a strike on the Paris metro and national rail network. Most of the main unions have stopped short of industrial action. However, yesterday evening Force Ouvrière said it was threatening a strike on November 28.

Tensions within the conservative parliamentary majority surfaced before the start of the budget debate. Mr Edouard Balladur, former prime minister and the Mr Chirac's Gaullist rival for the presidency, warned that tax increases should be used only to fund the accumulated deficit. In an article in the daily Le Monde, he said the system must be balanced by spending cuts and economy measures.

Officials declined to confirm the nature of the tax increase, but it appeared likely to take the form of a broadening or rise in the CSG tax on income, or the creation of a similar special levy. Other measures may include higher payroll taxes to fund state pensions, larger contributions from pensioners to the welfare system and tight curbs on health spending.

The prospect of higher taxes has added to concerns about the slowing economy, which has seen a sharp fall in consumer spending in recent months and rising unemployment in August and September.

Healing France's running sore

Proposals are due this week to save the welfare system from bankruptcy, writes David Buchan

The French state this week steps right into the centre of the country's quasi-private social security system to save it from bankruptcy and from preventing France qualifying for European monetary union.

After a three-day welfare debate in the National Assembly, Mr Alain Juppé, the prime minister, will tomorrow put a package of increased charges and spending cuts to a vote of confidence in his new government.

The package is aimed at wiping out the social security systems' FFr60bn (£7.8bn) annual deficit. But this week will also see France's "off-budget" welfare system of nearly FFr1,500bn come, for the first time in its 50-year history, under real parliamentary scrutiny. It will thus sweep aside any remaining pretence by employers and union leaders that they exercise real power over the health insurance, pension and family allowance funds they have long nominally co-administered.

The unions' demonstrations today against the changes stem almost as much from their anxiety to keep their management role as from their declared outrage at spending cuts, though the latter could also bring doctors on to the streets later if they judge health spending restraints too harsh.

The fragmented, quasi-private nature of French social security system stems from the fact that like Germany's and in contrast to Britain's, it grew out of a series of initiatives by unions and employers, the benefits of which were "generalised" to the whole population in 1945. In only one area have unions and employers successfully exercised real power, and this is the Unedic unemployment insurance scheme, created in 1958. Two years ago, they raised contributions and cut payments, with the result that alone of the welfare funds, Unedic is this year in the black, to the tune of FFr20bn.

But the state had to help even with Unedic. Increasingly, governments have intervened even to dictate payroll contributions. The latter still provide 80 per cent of welfare funding, which, however, will now depend more on taxation, set directly by governments and MPs rather than unelected "social partners".

The main instrument is the *contribution sociale généralisé* (CSG). Introduced in 1991 by the Socialists to howls of conservative protest, it has already been raised twice by Gaullists in the past two years, and Mr Juppé is expected to announce another version of it this week to repay the FFr230bn welfare debt backlog. Gaullist resort to the CSG is not surprising. Levied on virtually all types of revenue, it brings in pro rata far more than income tax or social charges, which are themselves to be reformed next year.

The funding shift from payroll levies to the central state budget has so far been most marked for family allowances, France's traditionally lavish incentives to encourage breeding to make up for its war dead. This is logical, since the scheme fits less into the "insurance" rationale of other welfare funds. This year the state took over FFr20bn of family allowance payments from companies, who however still shoulder FFr130bn a year. Nonetheless, the family allowances fund is FFr13bn in the red this year, and to close this Mr Juppé may make allowances taxable or means-tested.

This year will also show a FFr14bn shortfall on the general state pension scheme, even though this covers only a third of the population and excludes special state-set pension plans for civil servants, public sector workers, farmers, miners, artisans, some liberal professions, even dancers for the Paris Opéra. One quick, and unpopular, solution would be to raise the retirement age from 60, which, along with Italy's, is the lowest in the EU. Preferring to achieve the same aim by stealth, the Balladur government lengthened the period of contributions to the general pension fund from 37.5 to 40 years (by the year 2003), and Mr Juppé is now contemplating requiring the same of civil servants.

But the big problem, and test, comes with the medical insurance system, sagging under the effort to fund Europe's most extravagant health service with a FFr36bn deficit this year. France spends nearly 10 per cent of GDP on health, because it combines US-style freedom for patients to shop around among doctors who can prescribe what they like, with a level of state reimbursement for care that approaches the UK's.

Mr Juppé is likely to have to apply multiple remedies to this running sore in his public finances – higher daily hospital charges, increased health insurances contributions from pensioners, and maybe even restrictions on patients and doctors' freedom of choice. Reform may be easier now that he has got rid of his former health minister, Mrs Elisabeth Hubert, who found it hard to forget that she was also a doctor. But France's 140,000 doctors still have clout, occupying 10 per cent of the National Assembly's seats.

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EUROPEAN NEWS DIGEST

Vienna mobile phone doubts

The Austrian government's tender offer for a licence to operate a second GSM mobile telephone system in the country has been thrown in doubt at the last minute by a report that the post and telecoms minister, Mr Viktor Klima, wants to exclude energy utilities from the final selection process.

An Austrian newspaper reported that Mr Klima said at the weekend that it would be wrong to award the licence to a consortium including utilities because of the danger that consumers would subsidise these companies' GSM investments. One of the six consortia bidding for the licence is dominated by nine Austrian energy utility companies.

Mr Klima's office would not comment on the report. Mr Rudolf Gruber, chief executive of EVN, a gas and electricity utility and leader of one of the bidding consortia, said his group would take legal action if it seemed the award was influenced by Mr Klima's view. The licence to compete with the Austrian PTT in the fast growing GSM field is expected to be awarded early in December. *Ian Rodger, Vienna*

Iberia pilots issue ultimatum

Pilots at Iberia, the state-owned Spanish airline, have announced further strike action later this month and are threatening more stoppages in December unless the company agrees to new talks to discuss its future.

Yesterday they embarked on a two-day strike, forcing the airline to cancel more than 60 per cent of its flights. The pilots blame the company for failing to fulfil its side of a cost-cutting deal reached last December. The deal was pegged to a Pta130bn (£600m) injection of state aid which is still being negotiated with the European Commission.

The pilots plan further strikes on November 23-24 and November 28-29 after starting a series of strikes earlier this month. They have given the company 10 days to begin talks.

Iberia ground staff are, meanwhile, planning a protest march from Madrid's Barajas airport to the city centre today. The airline has warned that the disputes could bankrupt the company. *David White, Madrid*

German court delays Krenz trial

East Germany's last hardline communist leader, Egon Krenz (above, right) and former party ideologist, Kurt Hager, speaking in a court in Berlin which yesterday postponed their trial over the deaths of people shot by East German border guards.

Defence lawyers claimed that three of the five judges had effectively prejudged the case by agreeing last week to upgrade the charges against Mr Krenz and five former politburo colleagues who are also on trial.

The judges decided to allow a week's postponement of the trial – where the six men face a total of 47 manslaughter charges and 24 of attempted manslaughter – to allow the objections to be examined. *Reuter, Berlin*

Headhunting is boom business

Headhunting, the business of finding suitable executives for companies, is now a $1bn (£600m) business across Europe and growing by as much as 20 per cent a year worldwide, according to a report* published today by the Economist Intelligence Unit.

It says that Europe now has a quarter of the worldwide industry valued at between $3.5bn to $4bn. The top 20 firms earned a net revenue in Europe of $580m. Growth in 1994, which saw an average revenue increase of 21 per cent among the top 20, is continuing in 1995, said the report. Egon Zehnder, the European market leader, had revenues of $78.8m in 1994.

The main growth area at the top end of the market, said the report, was in supplying an increasing demand for non-executive board directors. *Richard Donkin, London*

**Executive Search in Europe: choosing and using a headhunter, Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR, tel 0171 830 1007. £149*

Russian supersonic jets planned

Russia wants to use technology developed for cold war fighter aircraft to build the world's first supersonic executive jet, aviation officials said yesterday.

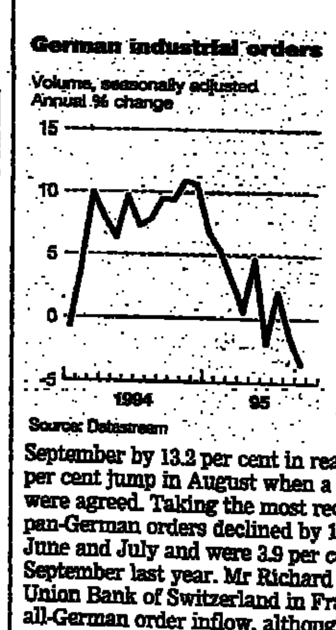
Mr Vladimir Yakovlev, spokesman for the Sukhoi design bureau, said the S-21 would carry six or 10 passengers at speeds of up to twice the speed of sound – 2,125kph. It would have a range of 7,400km.

The larger S-51, with a range of up to 9,200km, could carry 68 passengers. Mr Yakovlev, whose Sukhoi bureau was a top-secret installation in Soviet days, said the aircraft would use technology from the Su-27 fighter jet in both new craft.

Mr Yakovlev said Sukhoi was already testing a model of the S-21, but it would take five or seven years to develop a working aircraft. *Reuter, Moscow*

ECONOMIC WATCH

German industrial orders rise



New orders for German industry rose in volume terms by a seasonally adjusted 0.2 per cent in September compared with August, providing a further indication that economic growth is slowing. The Economics Ministry said orders for manufacturers in western Germany rose by 1.6 per cent, partly reversing a fall in August of 4 per cent. Foreign demand for west German goods rose 3.1 per cent in September, while domestic orders rose by only 0.8 per cent. In eastern Germany, new orders fell in September by 13.2 per cent in reaction to an exceptional 22.8 per cent jump in August when a number of large contracts were agreed. Taking the most recent two months together, pan-German orders declined by 1.5 per cent compared with June and July and were 3.9 per cent lower than in August and September last year. Mr Richard Reid, chief economist of Union Bank of Switzerland in Frankfurt, noted that the all-German order inflow, although weak, was stronger than manufacturing output, which fell by 2 per cent in September. This suggested that companies were now trying to reduce inventories. *Peter Norman, Bonn*

■ Spain's jobless rate was 15.41 per cent in October, up from 15.32 per cent in September. Producer prices rose 0.3 per cent in September from August and 6.6 per cent from a year earlier.

■ Norway's trade balance for October showed a surplus of NKr3.65bn (£365m), down 36 per cent from a year earlier but the same as last month.

EU aims for bus seat belt law

By Caroline Southey in Brussels

Deep divisions among EU member states over proposed Union-wide seat belt laws for coaches and buses could scupper fresh efforts this week to settle the four-year-old impasse over more stringent safety standards.

There are currently no rules requiring coaches to have seat belts fitted, and a group of northern EU member states – led by Britain, where there have been a number of serious coach crashes – have been demanding tighter safety regulation.

A clutch of southern member states are holding out against this pressure. Individual states have complained that their efforts to compel coach companies to improve safety have been frustrated by failure to agree common standards.

The latest proposals – which involve updating existing legislation and can therefore be adopted by the Commission on the basis of qualified majority voting by member states – cover new standards for seat belts, seat belt anchorages and *the strength of seats in buses* and coaches.

The proposed directives would be optional for vehicle builders, which could chose between applying for EU-type approval or sticking with national standards in each country where vehicles are to be sold. But by applying national standards manufac*turers would risk losing export* market opportunities. "The benefit of EU-type approval means a manufacturer can have access to all EU markets," an industry specialist said.

Member states may decide to adopt different national stan*dards but are obliged* to grant free access to vehicles which comply with the EU seat belt rules.

The proposals include installation of two-point (or lap) belts in all seats on large coaches, defined as those over five tonnes and with more than nine seats. Coaches would also have to install energy absorb*ing seats.*

In seats where passengers are considered more vulnerable, such as facing a partition or table, three-point belts (including a strap across the shoulder) will be required.

For minibuses up to 3.5 tonnes, three-point belts would *be obligatory. Mini-buses* between 3.5 and 5 tonnes would have the option of three-point belts, or two-point belts and energy absorbing seats.

Urban buses will be exempt from all the provisions.

The changes are expected to add only marginally to production costs since a many bigger *manufacturers already have* the flexibility to produce vehicles which meet the proposed regulations.

Spain, Italy and France continue to oppose the changes on the grounds that they will impose unnecessary cost burdens on the industry.

The issue could be referred to EU ministers if the three countries block a decision this week.

Oil hopes bubble up in south Italy

Andrew Hill visits the Val d'Agri, site of what may turn out to be Europe's largest onshore field

Other parts of Italy can offer tourists finer Roman remains, better skiing, and grander scenery than the Val d'Agri in the southern Apennines. But this is a region attracting an increasing amount of attention from a different type of visitor: men in hard hats and helicopters who believe the pretty Val d'Agri and the *surrounding* area could be sitting on top of Europe's largest onshore oil field.

If you look carefully, you can spot drilling rigs in improbable places, such as halfway up the side of a wooded mountain, but there is little evidence of a Texan-style oil rush.

One reason may be that this part of Basilicata, between Salerno on the west coast, and Taranto inside the heel of Italy, was already well-known as an area rich in hydrocarbons – gas rather than oil.

Agip, the state-owned Italian oil company which is part of the Eni group, has been active in the area for several years.

Many Italian and international companies have stakes in the area, but Agip's main partner is Enterprise Oil of the UK.

Enterprise already has a large share of several exploration, appraisal and development wells in the area, as well as the fledgling oil centre, which processes the crude oil for transport to refineries. As main operator, Enterprise will begin drilling its own exploration well around the end of this year, with the backing of Fina of Belgium, Mobil of the US and Union Texas Petroleum.

Just how promising the region is depends on who is talking. *Geologists estimate* there could be between 2bn and 5bn barrels of light oil in place – the oil industry jargon for the total amount of oil underground, only a part of which is ever recoverable. For comparison, the Ninian field – the third or fourth largest in the North Sea – had 2.5bn barrels of light oil in place when discovered.

A year ago, Mr Guglielmo Moscato, Agip's chairman, told a conference that exploitation of the Val d'Agri pool could double Italy's annual oil production to about 75m barrels a year.

Agip may not want to crow too much about this discovery, however, in case it encourages Italy's tax authorities to impose a special levy on oil revenue, upsets environmental*ists, or leads to local agitation* for a share of the oil bonanza.

In any case, US stock exchange restrictions prevent Eni, Agip's parent company, talking in detail about the field's potential until after its partial privatisation later this month.

A more obvious reason for not exaggerating the scale of the Val d'Agri field is that geological peculiarities could make it difficult and expensive to recover the oil. Even Enterprise, which is openly enthusiastic about the field, will only *give the broadest of estimates* about how much can be extracted. The UK company says it should be possible to recover between 10 and 50 per cent of the reserves in place.

Getting the oil out requires special techniques and wells take more time to drill than in other simpler onshore fields. Enterprise's exploration well, for example, will be one of the deepest, at around 6,000 m, and drilling it will take nearly a year.

Agip is sinking another well in the same area at a rate of only 2 m per hour – half the speed of drilling in the North Sea – and will have to drill horizontally in an attempt to recover more oil from the reserves. The company's representative, a vet*eran of Agip's Chinese* operations, says it is the slowest well he has ever drilled.

"The cost of the wells is probably fairly comparable with the North Sea wells, because they are also quite deep," says Mr Simon Oddie, who heads Enterprise's Italian activities. "But we would expect the cost of facilities and the cost of pipeline to be somewhat cheaper here, simply because you don't have to build platforms and the costs are shared among other participants."

The southern Apennines are no longer simply the object of geological speculation, however. Agip and its partners are investing nearly L1,000bn (£400m) in drilling and improving the infrastructure for a field which, until recently, has produced only an experimental 5,000 barrels a day. By the end of 1997, Agip aims to have *extended the existing oil centre* to handle 45,000 b/d. The next phase will take the centre's capacity up to 83,000 b/d by 1999, with the flexibility to expand still further.

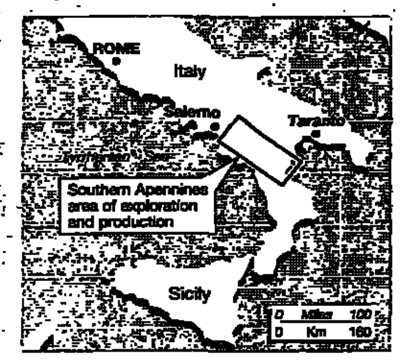
The same companies are pushing through plans for a 145km pipeline linking the Val d'Agri with Taranto's refineries, and with the capacity to handle up to 200,000 b/d – twice Italy's entire production of oil at the moment.

The discoveries seem unlikely to change the Val d'Agri much. This is one of Italy's poorer regions, but although the task of improving local infrastructure will create temporary construction jobs, most of the oil expertise will continue to be imported. Once the drilling rigs are dismantled and full commercial production begins there will not even be much surface evidence of the prospectors' efforts. The *region will continue to rely on* tourism, light industry and agriculture, while the oil companies siphon Basilicata's richest resource out from under the mountains.

Who's who in Italy's Apennine oil field

Number of concessions and permits where company is largest shareholder

	Production concessions	Exploration permits	Number of concessions and permits where company is largest shareholder
Agip	4	6	8
Enterprise	4	9	5
Fina	2	5	1
Mobil	2	4	1
Lasmo	2	0	1
Edison	1	3	1
Elf	0	3	0



Source: Enterprise Oil

Shell's UK staff lose out in job cuts

By David Lascelles, Resources Editor

Employees at Royal Dutch Shell's London headquarters are to receive much smaller redundancy packages than their Dutch colleagues under the group's job-cutting scheme.

According to briefings for staff in recent weeks, Dutch workers could receive "leaving packages" worth over twice as much as those paid to British staff employed in identical positions.

The differences, caused by The Netherlands' more generous statutory severance rules, apply to workers who take voluntary severance as well as those who will be made compulsorily redundant.

The proposals highlight the gap between the UK, where the government has made a virtue of the lower labour costs resulting from its decision to opt out of the EU's Social Chapter, and the Netherlands which participates fully in EU labour policy.

The terms are part of the drive launched by Shell last March to slim down its corpo*rate headquarters which is* split between London and The Hague. The cuts will involve the loss of 1,200 out of 3,900 jobs, and are designed to achieve group-wide savings of $300m (£189.8m) a year.

London staff who leave voluntarily will receive a lump sum based on a combination of salary and years of service. Dutch staff will receive a similar sum, but will get an additional 12 months' salary, with a minimum of £60,000.

Staff in London who are made redundant will receive between six and nine months' salary. Those in The Hague are being offered 12 months' full salary plus eight months at 85 per cent and four months at 70 per cent, which works out at over 21 months salary.

Shell stressed that the differ*ences resulted from differing* state welfare practices. Shell would also pay unemployment benefits that Dutch staff who leave early have to forego in certain circumstances.

Emu blueprint set to follow German line

By Wolfgang Münchau in Frankfurt

A blueprint for the introduction of a single European currency, due out today will reflect some of Germany's key demands, including a long *transitional phase, Mr Hans* Tietmeyer, president of the Bundesbank, said yesterday.

The European Monetary Institute, the group of central bankers which acts as a forerunner of a European central bank, is due today to publish its detailed recommendations for progress *towards* a common currency.

"Without wanting to preempt [the EMI's announcement], I may state that the recommendations will take account of significant German concerns," Mr Tietmeyer said. "The single currency will only became legal tender once the people have European coins and banknotes in their pockets, that is at the end of a transition period of up to three years."

Germany has favoured a long transitional phase to *allow banks to adjust internal* systems to cope with the switch-over to a single currency.

By contrast, the European Commission has proposed a swift transition for most financial transactions. This "critical mass" approach is severely criticised by the Bundesbank and the German government, which fear that a short transition period would cause difficulties for Germany's local and state authorities.

Mr Tietmeyer yesterday aired irritation about the pace at which the EMI *had arrived* at today's blueprint. He also called for the monetary policy of a future European central bank to be run on lines similar to those operated by the Bundesbank, with a strong emphasis on subsidiarity, limited use *of open market operations* and a money supply target. These detailed issues will not be part of today's EMI report, and are not due to be tackled yet.

Mr Tietmeyer said that without subsidiarity the central bank would become an increasingly dominant market operator. "Such a system distorts competition. It discriminates against small institutions and encourages concentration." This would result "short-termism" at the disadvantage of the "real economy".

Even if Frankfurt, as the seat of the future central bank, was to be a beneficiary of such a concentration process, Mr Tietmeyer said, German policy would continue to emphasise "the stability of the currency, and not the support of a specific financial centre."

The EMI's *recommendations* come at a time of unprecedented public debate in German about the desirability of the single European currency.

See Editorial Comment

The European Commission yesterday gave a cautious welcome to a German-led plan to reinforce budgetary discipline among countries which join the planned European monetary union, writes *Lionel Barber* in Brussels.

Mr Jacques Santer, president, and Mr Yves-Thibault de Silguy, monetary affairs commissioner, noted pointedly assurances from German finance minister Theo Waigel that his proposals for a post-Emu "stability" pact did not challenge the Maastricht treaty legally or economically.

The two commissioners also pointed to existing treaty measures which can impose financial sanctions on Emu members running excessive budget deficits.

Commission officials expressed doubts about Mr Waigel's call for automatic fines on Emu participants running budget deficits above the Maastricht target of 3 per cent of GDP. These fines, *amounting to 0.25 per cent of* GDP for every percentage point of deficit above 3 per cent, were very heavy, said one official.

NEWS: EUROPE

Polish candidates trade tax insults

By Christopher Bobinski in Warsaw

The Polish presidential campaign is turning increasingly venomous, with the staff of both candidates trading charges about personal wealth and tax avoidance ahead of Sunday's run-off.

Mr Lech Walesa, the incumbent and former Solidarity leader, is desperate to close the two-point lead notched up by Mr Alexander Kwasniewski, the leader of the former communist Left Democratic Alliance (SLD), in the first round on November 5.

Mr Kwasniewski, who won 35 per cent of the vote in the first round, has been under attack for having neglected to declare to parliament his wife's large share investment in an insurance company. Under Polish anti-corruption laws, MPs are required to file a list of their assets with the speaker of parliament.

Yesterday Mr Kwasniewski called a press conference to reveal details of all the assets of himself and his wife, Jolanta, a successful real estate agent. He also allowed journalists to examine receipts from the tax office which he said proved that all due taxes had been paid.

At the same time, his campaign managers moved on to the offensive, challenging Mr Walesa to prove that he had paid tax on a $1m payment he had received in 1989 from Warner Bros, the US film maker, for the rights to a film about himself and the Solidarity movement, which was never made.

"I'm almost a bankrupt," Mr Walesa said at a press conference last week when he revealed that his wife and family had since spent at least half the money. His campaign later claimed that President Walesa's net worth now amounted to $300,000 and that all due taxes had been paid.

But Mr Walesa yesterday angrily denounced the country's justice minister for saying he might investigate his finances. In an indignant letter to prime minister Jozef Oleksy, Mr Walesa accused justice minister Jerzy Jaskiernia of abusing his position to help his ex-communist party colleague, Mr Kwasniewski.

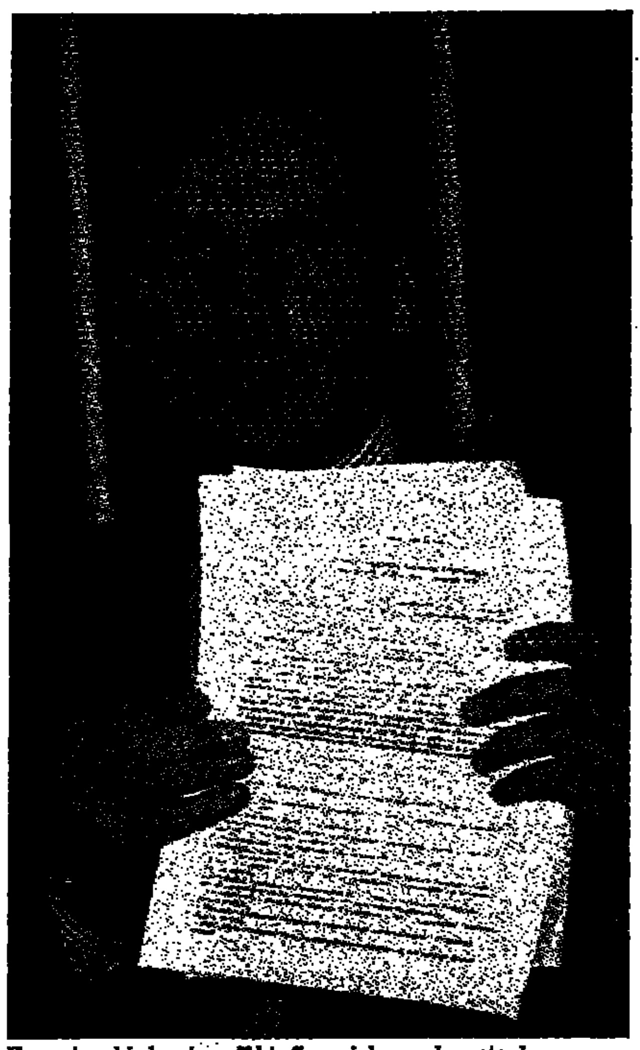
Mr Walesa himself has concentrated his attacks on his election rival's presence in the pre-1989 communist administration.

In a live television debate on Sunday, which is due to be continued on Wednesday, a visibly angry Mr Walesa, referred to his rival as a "relic of the past", while moving on to the offensive with an attack on 44 years of communist rule. The former Solidarity leader said that Mr Kwasniewski, who is now 41 and was minister of sport in the last communist government, was "unreformable".

Mr Walesa, appealing to the supporters of his losing right-wing rivals in the first round, repeatedly returned to the theme that those responsible for the crimes of communism had first to be brought to book.

Mr Walesa warned that if he lost then his supporters would move onto the offensive to "settle accounts" with the communists.

Mr Kwasniewski argued that the western democracies would accept him. "I am convinced that Poland can become a member of Nato with Kwasniewski as president," he said, referring to Mr Walesa's warning to voters.



Kwasniewski showing off his financial records yesterday AP

Dasa cuts spread gloom in Bremen

Wolfgang Münchau reports on how the city is fearing for its aerospace tradition

Plans announced by Daimler-Benz Aerospace (Dasa) to get rid of almost 9,000 German workers as part of a restructuring programme will affect regions where unemployment is already high. One of the hardest hit will be the Hanseatic city of Bremen.

Bremen was once a wealthy trading and industrial town and a important hub for the aerospace industry in pre-war Germany.

Today, unemployment in Germany's smallest state stands at 14 per cent, an a par with the average rate of unemployment in eastern Germany.

At its Bremen Airbus operations, Dasa plans to cut the workforce from 2,678 to 1,050 staff, as part of the programme also known as Dolores (Dollar-low rescue).

The Dolores programme, under discussion for some time but approved last month, is the company's plan for securing its future in a world assuming a permanently low dollar.

Most of its competitors are American and commercial aircraft sales are in dollars.

"We don't trust them at all," said Mr Uwe Neuhaus, employee representative for Bremen's Airbus workers, in reference to Dasa's management.

"The ink was hardly dry on so many of the [labour] contracts we signed when the contract became worthless. Even Dolores may not be the end of the story.

"They may in the end give up on us completely," he said.

His fear reflects anxieties that further European integration in the aerospace industry will require more job cuts, and that Dolores marks only one stage in a process of gradual industrial death.

The details of the Dolores programme are subject to negotiations between management and workers, with a final decision due next Monday.

It is quite likely that Dasa employees will call for industrial action. This would be an unusual response in an industry not known for its labour strife.

Mrs Ingrid Lüllmann, head of Dasa's employee representatives, said that Dolores is not a mere restructuring programme, but a consequence of management error.

"If you consider what these highly-paid managers achieved over the last years, one could have expected more. "They don't pay for their errors. We do," said Mrs Lüllmann

> 'We have worked our butts off. We have not clocked every hour we worked. We have not asked for overtime pay. And now we are fired?'

Referring to the 1993 acquisition of Fokker, the Dutch aircraft maker which has remained a loss-maker, she said: "It was a significant strategic mistake trying to become the world number one in regional aircraft."

Mrs Lüllmann said that she considered it unforgivable that the Dasa management had failed to see that Fokker was fundamentally "morose" as a company.

Mrs Lüllmann said the industry had been in a mode of retrenchment since the 1970s, but the fundamental difference between now and then was that employees have lost their morale.

"I remember that the employees did not get into this business just to make money. They were here out of conviction.

"They were pioneers again. The position that the German aerospace achieved after the second world war only became possible with such immense efforts.

"People now say: 'We have worked our butts off. We have not clocked every hour we worked, we have not asked for overtime pay. And now we are fired?'"

The workers to be laid off will face difficulties finding alternative local employment. The troubling aspect about unemployment in Bremen is that it is particularly high among skilled workers and university-educated engineers, the profile of a typical Dasa employee.

One of Bremen's other big industries is shipbuilding, which has also been facing difficulties for a long time.

Mr Neuhaus said: "I suspect that our people still identify with the product.

"But they no longer trust the management. It will take years to rebuild the morale among employees."

Mr Neuhaus believes that job cuts, designed to increase productivity, will have the opposite effect as morale is torpedoed – because the consequence is always further job cuts.

Another problem, according to Mr Neuhaus, lies in the interaction between development and production, especially as Dasa attempts to shift production into cheap labour countries in Asia.

"If you give somebody manufacturing capability, he will also want construction capability, and eventually also development capability,". Mr Neuhaus said. If you lose one capability, you lose the other, he believes.

Dasa employees believe that the consequences of the programme could be a gradual erosion of the industry.

Germany lost its aerospace industry at the end of the second world war. It was then reinvented. Workers feel they are now in danger of losing it again.

Russian election in hands of judges

By John Thornhill in Moscow

Russia's Constitutional Court will today initiate a review of the country's electoral laws amid an increasingly heated dispute over whether to postpone next month's parliamentary poll.

Both the Supreme Court and a group of parliamentary deputies have asked the Constitutional Court to examine several alleged flaws in the electoral laws which, they claim, could undermine the legitimacy of the elections. There was no indication yesterday how long the review would take.

Some parliamentarians fear legal ambiguities could result in President Boris Yeltsin dissolving a hostile parliament for "technical" reasons after the elections – as happened in Kazakhstan earlier this year.

Anti-government communists and nationalists, bitterly critical of President Yeltsin's administration, are expected to do particularly well in the elections scheduled for December 17. Other parliamentary leaders have been stepping up demands for the elections to take place as planned – despite the controversy over the electoral law.

Mr Mikhail Lapshin, leader of the left-leaning Agrarian party, yesterday attacked any attempts to tamper with the laws. "The rules of the game for the elections have been established. It would be a crude violation to introduce any changes to the electoral law," he said.

> 'To put off elections now would be to create a much worse situation than anything that could arise from the elections themselves'

"To put off elections now would be to create a much worse situation than anything that could arise from the elections," Mr Yegor Gaidar, leader of the liberal Russia's Choice faction, said last week.

The rows over the parliamentary elections could be a small foretaste of controversies to come over the more important presidential elections, now likely to be held on June 16. Mr Yeltsin's entourage appears to be gearing up for his re-election campaign despite concerns about his health. The presidential press service has been issuing a stream of reports about the president's working routine in hospital, saying his schedule is "the same as if he were in the Kremlin".

The presidential aides also firmly repudiated recent comments from Mr Victor Chernomyrdin, the prime minister, suggesting he was assuming more responsibility over the defence, interior, security and foreign affairs ministries.

According to the presidential press service, Mr Yeltsin is in full command and even found time last week to upbraid Mr Yuri Luzhkov, Moscow's mayor, for failing to clear the snow from city streets.

General Pavel Grachev, the defence minister who met Mr Yeltsin last week, claimed Mr Yeltsin was even reviving plans for a trip to China which had been postponed earlier because of his illness.

A recent survey by the Centre for Strategic Analysis and Forecasting suggested that Mr Yeltsin and Mr Chernomyrdin were the most popular presidential candidates, followed by Mr Alexander Lebed, the former army general, and Mr Grigory Yavlinsky, the leader of the liberal Yabloko party.

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Private finance urged for E Europe

By Frances Williams in Geneva

A fresh attempt to revive interest in the private financing of big infrastructure projects in eastern Europe was launched yesterday at a United Nations-sponsored seminar in Geneva attended by representatives of governments, industry and financing agencies.

The UN Economic Commission for Europe, the seminar organisers, said eastern Europe and the former Soviet Union were desperately in need of funds to update obsolete and crumbling infrastructure.

The economies of the region had "few, if any, real alternatives" to private financing arrangements for infrastructure projects if they were to meet their development goals, according to Ms Carol Cosgrove-Sacks, director of the ECE's trade division.

However, hopes of build-operate-transfer (BOT) schemes and other means of attracting private sector finance to improve transport, telecommunications, energy and water systems were disappointed.

Since the downfall of communism in 1989, the ECE notes, only a dozen or so big projects have got off the ground, half of them in Hungary and Poland.

The seminar was expected to recommend drafting common guidelines on new project financing techniques and on the fair treatment of international investors by host governments.

Mr Wayne McArdle of the European Bank for Reconstruction and Development, which has been actively involved in financing infrastructure investment in eastern Europe, said that the absence of a legal framework was the single most important obstacle to private sector involvement.

"What is lacking is the entire legal basis for the assumptions used by the financial people," he said. These included enforceable contracts, assured property rights, principles of business formation and guarantees against government interference in private sector business operations.

Tokyo fails to ease Apec farm row

By William Dawkins in Tokyo

Japan yesterday failed to resolve a farm trade row between Pacific rim governments when the wording of a compromise draft trade document was rejected by some delegates.

"Japan wants broad wording to be used in the (contentious) phrase in the agreement, but there are countries still opposed to it," a Japanese government official said after the meeting of officials of the Asia Pacific Economic Co-operation forum in Osaka.

Japanese news reports said Tokyo proposed toning down the wording of a phrase in the original draft designed to allow members to protect "specific sectors", in this case meaning trade in farm products. But some delegates said the changes did not go far enough and more negotiations were needed.

Japan wishes to accommodate its own rice farmers, as well as farmers in China, South Korea and Taiwan, who are unwilling to submit to a guarantee to open their markets by the Apec deadline. Japan's attempts to protect its politically sensitive farm trade triggered a row with Apec's major food exporters including the US and Australia.

"There's been plenty of talk about what to include in a draft for the ministers. But since the last draft came out on October 24, we don't think there's been a change in Japan's stance," an official from a major food exporting country said.

The Japanese compromise aimed to allow flexible treatment for sensitive industries, like Asian farming, without disrupting Apec's grand plan to eliminate all trade barriers by 2020. Opponents of the Japanese draft argued that enshrining special consideration for sensitive sectors would risk unravelling Apec, since all member economies have politically sensitive sectors.

Officials will continue discussing the Japanese plan today, in an attempt to agree or at least pave the way for agreement by the time Apec trade and foreign ministers begin a crucial two-day annual meeting on Thursday, followed by a summit of Apec heads of government on Sunday.

The summit aims to agree an "action agenda", the first attempt to define how Apec plans to achieve the sweeping free trade plan which leaders agreed last year. Some of its members are arguing that the group's credibility hangs on the outcome of the summit.

Leaders of the 18-member grouping, which accounts for nearly half the world's trade, pledged last year at Bogor, Indonesia, that developed economies in the forum would remove trade and investment barriers by 2010 and developing nations by 2020.

The agenda must be approved by Apec trade and foreign ministers, then signed by leaders at their summit.

Importers hit by Japan water scare

Foreign bottlers complain of official bungling in contamination fear, writes Emiko Terazono

Foreign mineral water bottlers have been hit hard by a contamination scare in Japan which they say has been made worse by random inspections, unclear recall guidelines and punitive and discriminatory measures against them by the Japanese authorities.

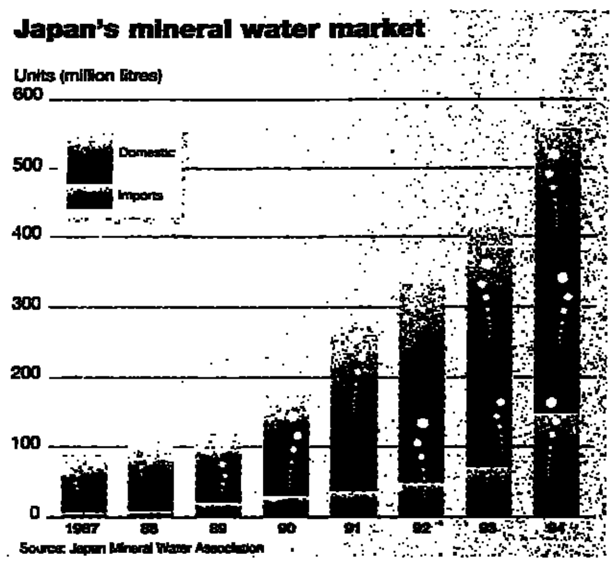
Triggered by the discovery of vegetable spores in a brand imported from New Zealand in September, the mouldy water scare has prompted health authorities to tighten inspections of shop shelves, while retailers and consumers have contacted health offices to have their mineral waters checked.

The recent growth in the country's mineral water market has been led by foreign brands, including retailers' imported "own label" products. Of the 40 brands which have been alleged to be contaminated, two-thirds have been imported water bottled in Europe, North America, New Zealand and Australia.

The panic over mineral water comes as the market has been expanding rapidly. An increase in complaints about the taste of tap water and concerns about its safety led to increased demand in the early 1990s.

Drinking out of an Evian bottle became a fashion trend among young Japanese, while the record summer heat over the past few years has also boosted consumption.

Japan's mineral water market



Japanese health authorities cite the probable causes as airborne spores of mould coming into contact with bottles, caps and the water at the time of bottling.

Importers claim that Japan has random inspections, unclear recall guidelines and unscientific, punitive measures that have aggravated the problem, harming the image of foreign brands. Diplomats from countries exporting mineral water to Japan are planning to lodge a joint complaint.

European Union representatives last week told Japanese foreign ministry officials there should be clearer and more scientific inspection procedures. Mr Rudiger Altpeter, an official at the EU representative office in Tokyo, says the problem has been serious for European companies, which supply more than 90 per cent of the imported water in Japan. They estimate that they have lost Y1.5bn (£9.2m) as a result of the scare.

The main problem, say the importers, is that current regulations give too much discretionary powers to local authorities who conduct the inspections. The inspections are conducted unsystematically, and the tests are often carried out by provincial bureaucrats unaccustomed to mineral water, they say.

The basis on which recall orders are made is also opaque and subjective, importers say. Ministry of health and welfare food regulations prohibit non-alcoholic beverages from containing precipitation but this does not apply to congealed calcium and other minerals. However, local health officials can order manufacturers to recall a product if the amount of congealed calcium is "abnormal".

The importers also see the punishment – in some cases an order to "voluntarily recall" the bottles and in others forbidding the sale of the product in Japan – too severe. "The punishment in the case of having toxic substances present in the water and of having a foreign matter, such as harmless vegetable moulds, are the same," says an official at the New Zealand embassy.

That the companies are ordered to recall all the products which have been distributed without determining the range of contamination, is unscientific, says Mr Altpeter at the EU. All the bottles are recalled without taking into account the date or place of production.

Then there is the view that foreign brands are the victims of bias. The ministry of health and welfare recently announced a test of 158,800 domestic mineral water bottles and 311,900 bottles of foreign brands, despite the fact that imports only account for 24 per cent of the total market. "The figures indicate discriminatory behaviour," says one diplomat.

The recall order on the Valvert brand, imported by Perrier, the mineral water subsidiary of Nestlé, illustrates what foreign officials say is the haphazard response of Japanese health authorities.

Health officials in Kyushu, the southern island, claim to have discovered bottles of water with floating white substances in it. They made a press announcement, but refused to allow officials of Nestlé and Perrier to take away samples of the mould substance, while the Japanese local inspector did not turn up for a meeting with a specialist from Nestlé's research laboratories because he thought it was unnecessary.

Nestlé's water specialist suspects the substance was congealed calcium, as mould does not float. Perrier was recently told by the Japanese health authorities, who claimed at first that the substances were white, that the bottles were contaminated with cladosporium, a mould usually found in Japanese bathrooms and which is dark green.

Meanwhile, industry analysts believe that overall demand for mineral water remains strong and consumers will gradually regain their taste for imported mineral water.

WORLD TRADE NEWS DIGEST

EU pushes on with trade deal

European Union officials are pushing ahead with a deal to compensate the bloc's trading partners, primarily the US, for the accession of Finland, Austria and Sweden last January. The European Commission "has put together a great deal, but it has been met by complaints (from member states) . . . We now have to persuade them that it is the best deal they will get," a trade official said.

Most aspects of the US compensation plan, which is being used as a blueprint for concessions to be offered in Geneva to the EU's other trading partners, have been effectively agreed. However, problems remain on farm trade, notably rice. Italy, Spain, Portugal and Greece are worried about the planned concessions, especially a cumulative recovery system to reclaim overpaid duties on US rice imports. *Foreign staff*

Germans sign Chinese pacts

German companies yesterday signed 12 contracts, letters of intent and other agreements with China which officials estimated at DM2bn (£909m). The contracts covered space technology, shipbuilding, the power industry, vehicles and telecommunications.

Accompanied by 45 top business leaders, Mr Helmut Kohl, German Chancellor, arrived in Beijing on Sunday for a five-day visit, his fourth to China since taking office 13 years ago. It is the latest in a flurry of visits between China and its biggest trade partner in Europe. Among the deals, China and Germany signed four agreements, including one to set up a high-technology forum. *Reuter, Beijing*

Sega in California link-up

Sega Enterprises and CSK of Japan will form a joint venture by the end of November in the US to research and develop interactive software for use in multimedia personal computers (PCs) and video games, they said yesterday.

The new company, Sega Soft, to be based in Redwood City, California, will be owned mainly by the two companies. The capital or other possible partners have not been decided, the companies added. The new company will start operations in December. Sega is 20 per cent owned by CSK, a large software maker.

Sega Soft will develop home-use application software for interactive entertainment, education and other areas, for use in 32-bit Sega Saturn and other Sega-made video game machines, and software for the Internet and multimedia PCs. Sega Soft will create 50 jobs and Sega's existing US unit, Sega of America, will second an additional 200 software engineers to Sega Soft. *Reuter, Tokyo*

Contracts and Ventures

■ Siemens, the German electronics group, has won an order from Thailand for telephone equipment worth over DM400m (£182m). The order from Thai network operator Telecom Asia is to instal 500,000 telephone lines in and around Bangkok. The order brings the total number of telephone lines installed by Siemens in Thailand to 3.2m. *Reuter, Munich*

■ Samsung Heavy Industries, a shipbuilding arm of Samsung Group of South Korea, has won a $322.35m (£205m) order to build seven container vessels for China Ocean Shipping (Cosco). Delivery is set for between late 1997 and early 1998. This is the first big order Cosco has placed with a Korean shipbuilder, Samsung said. *Reuter, Seoul*

■ Bombardier, the Canadian aerospace and transit equipment group, said its Eurorail unit will make 40 low-floor light rail vehicles worth C$115m (£54.2m) for Cologne city. Delivery will be in 1996-97. The bodies will be built in Vienna, the bogies in Belgium and final assembly will be in Bruges. Eurorail has already completed an initial 40 vehicles for Cologne. *Robert Gibbens, Montreal*

■ Ingersoll-Rand has won an order worth more than HK$6m (£492,000) to supply road paving equipment for surfacing work on the first of the runways at the new Hong Kong Airport at Chek Lap Kok. *Andrew Taylor, Construction Correspondent*

■ Shimadzu, the Japanese precision equipment maker, plans an A$15m (£7m) expansion of its operations in the Australian state of Victoria. Shimadzu, which makes makes components for medical and scientific instruments at its Melbourne plant, would build a new plant to assemble them into finished products, including X-ray imaging and blood chemical analysers. The new plant is expected to be in operation by October next year. *Nikki Tait, Sydney*

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for November 15 1995 to December 14 1995 (October 15 1995 to November 14 1995 in brackets).

D-Mark	6.71	(6.91)	Yen	2.60	(2.80)
Ecu	7.49	(7.44)	Peseta	11.54	(11.65)
French franc	7.95	(7.77)	Sterling	8.61	(8.52)
Guilder			Swiss franc	5.22	(5.49)
up to 5 years	6.40	(6.55)	US dollar for credits		
5 to 8.5 years	7.00	(7.15)	up to 5 years	6.77	(6.89)
more than 8.5 years	7.85	(8.00)	5 to 8.5 years	6.86	(7.00)
Italian lira	10.01	(10.75)	more than 8.5 years	6.97	(7.13)

Rates are published monthly by the Financial Times, in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days. SDR-based rates of interest are the same for all currencies. From July 15 to August 31, 1995, the SDR-based rate will be 6.60 per cent. The SDR-base rate was abolished August 31, 1995.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	98.3	95.5
1987	108.4	106.0	6.1	108.3	96.6
1988	112.6	110.7	5.4	107.8	100.1
1989	115.6	112.4	5.2	101.4	98.9
1990	116.4	112.4	5.4	87.0	95.1
1991	114.0	110.5	6.6	64.6	100.0
1992	117.6	114.1	7.3	63.9	104.7
1993	123.8	118.8	6.7	69.0	110.4
1994	131.2	125.1	6.0	78.9	112.5
4th qtr.1994	5.7	6.0	5.5	83.6	112.5
1st qtr.1995	4.7	5.5	5.5	79.7	111.8
2nd qtr.1995	4.3	3.4	5.6	78.0	112.1
3rd qtr.1995	4.5	3.0		78.4	
October 1994	6.2	6.1	5.6	84.0	112.2
November	6.0	5.8	5.5	82.0	112.5
December	4.9	6.1	5.4	84.9	112.5
January 1995	6.7	6.4	5.6	78.8	112.5
February	3.9	5.6	5.4	80.9	112.1
March	3.4	4.6	5.4	79.6	111.8
April	3.3	3.9	5.7	79.7	111.4
May	4.6	3.4	5.6	77.1	111.5
June	4.9	2.9	5.5	77.0	112.1
July	4.9	2.8	5.6	79.2	113.1
August	4.3	3.2	5.6	79.3	114.1
September	4.3	3.0		76.6	

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.8
1986	106.6	99.7	2.8	94.3	83.9
1987	113.8	103.1	2.8	108.3	91.3
1988	122.6	113.1	2.5	135.9	96.7
1989	132.5	119.7	2.2	147.0	98.5
1990	141.7	124.5	2.1	149.8	95.8
1991	144.6	126.8	2.1	144.2	93.1
1992	139.9	119.0	2.1	124.2	92.1
1993	131.8	113.6	2.5	106.6	98.1
1994	129.6	114.5	2.9	102.2	106.9
4th qtr.1994	−0.7	6.2	2.9	102.4	106.9
1st qtr.1995	−2.3	6.1	2.9	107.6	107.5
2nd qtr.1995	-0.8	4.9	3.1	105.8	108.3
3rd qtr.1995		0.9			
October 1994	−1.4	5.3	3.0	102.7	105.9
November	0.2	6.0	2.9	102.7	106.6
December	−1.0	7.1	2.8	102.2	106.9
January 1995	−4.0	4.9	2.9	101.8	107.0
February	−1.6	7.4	2.9	115.2	107.3
March	−1.1	5.9	3.0	105.6	107.5
April	−1.5	6.0	3.1	102.2	107.7
May	-0.7	5.6	3.1	110.3	108.1
June	-0.3	3.2	3.2	104.7	108.3
July		1.3	3.2	102.2	108.7
August		1.0	3.2	106.9	109.8
September		0.5			

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	136.9	89.4
1987	107.4	102.6	6.2	149.5	90.1
1988	110.5	106.3	6.2	165.1	95.6
1989	114.2	111.4	5.6	219.5	97.9
1990	123.5	117.2	4.8	261.9	98.3
1991	130.5	118.1	4.2	297.8	95.5
1992	127.7	116.5	4.6	287.7	89.5
1993	122.3	109.1	6.1	228.9	95.6
1994	120.4	113.9	6.8	240.4	104.0
4th qtr.1994	−2.3	7.1	6.8	261.6	104.0
1st qtr.1995		3.1	6.7	271.9	102.4
2nd qtr.1995		1.9	6.8	278.1	102.3
3rd qtr.1995		−0.6		265.6	
October 1994	−2.0	6.2	6.8	261.3	103.5
November	−3.7	7.8	6.8	264.6	104.0
December	−1.1	7.4	6.8	258.0	104.0
January 1995		2.3	6.7	263.0	103.5
February		5.6	6.7	270.5	102.5
March		1.4	6.7	281.3	102.4
April		1.8	6.8	281.3	102.2
May		3.1	6.8	278.8	103.4
June		0.9	6.8	273.0	102.3
July		1.6	6.8	270.5	101.6
August		-0.6		264.6	101.3
September		−2.9		261.3	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.6
1986	102.4	101.2	10.4	107.0	96.4
1987	104.5	103.1	10.5	117.2	96.4
1988	107.9	107.3	10.0	135.3	101.8
1989	109.5	111.3	9.4	160.6	101.6
1990	110.4	112.9	8.9	163.2	95.7
1991	110.3	113.3	9.4	128.2	96.8
1992	110.5	113.2	10.4	109.5	94.9
1993	110.7	110.2	11.7	90.0	98.1
1994	110.8	114.4	12.3	104.1	102.5
4th qtr.1994	−0.5	5.5	12.0	103.5	102.5
1st qtr.1995	0.5	5.5	11.8	119.3	101.2
2nd qtr.1995	1.1	3.5	11.6		100.7
3rd qtr.1995					98.8
October 1994	−1.8	4.9	12.1	108.3	103.2
November	−0.5	6.0	12.0	102.2	102.8
December	0.9	6.5	12.0	99.7	102.5
January 1995	2.4	5.8	11.9	110.6	102.3
February	0.6	4.4	11.8	119.1	101.6
March	−1.5	6.3	11.7	128.1	101.2
April	0.2	2.1	11.6		102.0
May	2.6	4.2	11.6		101.6
June	0.5	4.3	11.5		100.7
July	1.8	2.4	11.4		100.1
August	0.2	2.4	11.4		99.4
September					98.8

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.2
1986	106.6	104.1	10.4	94.3
1987	112.1	106.6	10.9	95.8
1988	107.9	114.2	10.9	100.1
1989	116.9	118.7	10.9	98.3
1990	114.5	118.0	10.3	94.9
1991	110.9	116.9	9.8	97.1
1992	116.9	115.4	9.8	94.1
1993	114.1	113.0	10.2	100.8
1994	107.4	119.9	11.0	102.8
4th qtr.1994	−7.4	9.7	11.1	102.8
1st qtr.1995	-3.6	9.0	11.8	101.5
2nd qtr.1995		6.9		101.2
3rd qtr.1995				
October 1994	−6.4	7.0	n.a.	103.2
November	−12.9	7.3	n.a.	103.0
December	−2.5	15.0	n.a.	102.8
January 1995	0.9	9.8	n.a.	102.5
February	−1.4	8.1	n.a.	102.1
March	−10.1	9.2	n.a.	101.5
April	−2.1	5.4	n.a.	101.0
May	−6.3	7.1	n.a.	101.2
June		5.4	n.a.	101.2
July		4.1	n.a.	101.7
August		8.3	n.a.	102.4
September			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	89.9
1986	105.3	102.5	11.2	116.1	92.9
1987	110.8	106.5	10.3	141.2	96.8
1988	117.8	111.6	8.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	6.8	97.2	91.4
1991	119.4	109.5	8.8	68.2	95.4
1992	120.4	109.4	10.1	69.1	99.3
1993	123.9	111.5	10.4	76.0	106.6
1994	128.5	117.1	9.5	93.5	110.7
4th qtr.1994	3.5	4.5	9.0	105.0	110.7
1st qtr.1995	1.4	4.2	8.7	103.3	110.7
2nd qtr.1995	1.4	2.0	8.8	105.7	110.4
3rd qtr.1995	0.3	1.2		108.4	110.1
October 1994	3.6	5.4	9.1	104.2	110.3
November	3.2	4.0	9.0	105.8	110.5
December	3.9	4.0	8.8	105.1	110.7
January 1995	0.3	3.7	8.7	104.0	110.9
February	2.4	3.9	8.7	102.7	110.8
March	1.5	5.2	8.8	103.1	110.7
April	1.8	2.6	8.8	106.5	110.8
May	1.2	1.7	8.6	105.3	110.6
June	1.2	1.7	8.7	105.3	110.4
July	1.1	1.9	8.7	105.4	110.2
August	0.2	0.9	8.7	106.9	110.0
September	−0.4	0.9		113.0	110.1

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

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Government shutdown hits trade talks

By Nancy Dunne in Washington

The US Trade Representative's Office yesterday said some negotiations could be delayed as the US government shuts down as a result of President Bill Clinton's struggle with Congress over the budget.

As the government headed towards a midnight shutdown of all but the most essential services yesterday, the trade office was preparing to suspend 75 to 80 per cent of its 150 employees.

Altogether, about 800,000 federal workers are to be suspended without pay as government grinds to a halt for lack of funds, 150,000 workers in the Washington area alone.

Officials who work will eventually get paid, but their salaries will be delayed. Those laid off cannot be assured of a salary cheque for the days they miss. That will be up to Congress, which has shown itself to be particularly unsympathetic to the federal bureaucracy.

The trade office prides itself on being a lean and flexible negotiating team. Most are professional rather than support staff.

Telephones usually are answered by voice mail while internal communications are conducted through electronic messaging. Most secretaries assist six or seven bosses and rely heavily on the free manpower provided from nearby universities.

The personnel office yesterday was sorting through ongoing negotiations to determine what could be speeded up or delayed. Mr Mickey Kantor, the US trade representative, was in Tokyo for the Asia Pacific Economic Forum, which was deemed to be "essential" government business.

He was accompanied by his customary retinue, which is tiny in comparison with the team generally fielded by Japan. This time, however, the Americans were expected to face the added embarrassment of jokes about who would pay hotel bills.

Negotiators, deprived of their usual support staff, are all also carrying lap-top computers on which they will be expected to type their own notes for transmission to Washington.

Also scheduled this week were US negotiations with the European Union over compensation for duty increases incurred by the most recent enlargement of the EU.

Progress has been steady, but a year-end deadline looms. The US trade office was considering a one-day limit on negotiations this week with further talks to be conducted by telephone only.

No decision had yet been made about US participation in talks this week in the World Trade Organisation in Geneva. "Where we have an ongoing negotiation in another country where commitments have been made, we will try to honour those commitments," a senior trade office official said, "but we will keep as few people as necessary to get the government's work done."

Recession fails to swing votes to Mexico's left

Daniel Dombey on dwindling electoral support for the PRD

In Tuxpan, a small town in Mexico's poor, western, agricultural state of Michoacán, voters milling around waiting for results of elections on Sunday were bemused by how much things had changed.

In the past the Party of the Democratic Revolution (PRD) the country's main leftwing electoral force, was the main challenger in the town and the state, helped by strong ties with Mr Cuauhtémoc Cárdenas, one of the founders of the party, a former governor of Michoacán and son of Mexico's most revered president. Michoacán was the PRD heartland.

Now, the rightwing National Action party (PAN), with few roots in the state, threatened to win the town, and challenged for second place in the state governorship election.

With 60 per cent of the vote counted the ruling Institutional Revolutionary Party (PRI) had 38.4 per cent, with the PRD on 29.6 per cent and the PAN on 28.8 per cent. Elections in five other states saw the PRD do even worse.

Despite the severity of the worst recession for decades, voters have declined to support the organised left and the economic model it proposes.

"The left is being diced out and we're going into a two-party system," said Mr Federico Estevez, a political scientist at Mexico's Autonomous Technological Institute. "This is a very conservative country and that is showing in this shift rightward."

The economic crisis, unleashed by a botched devaluation last December, has certainly helped the PAN, which offers similar economic policies to the ruling PRI. After running second in general elections last year, the PAN has won three out of five gubernatorial contests in 1995, helped by Mexico's strong Roman Catholic tradition, its US-influenced north and by fear of the violent rupture the left is often associated with.

By contrast, the PRD has suffered an identity crisis common to leftwing parties everywhere. As a coalition based around former PRI members, splinter groups from socialist and communist parties, and popular organisations, it has failed to define clearly whether it would reverse key reforms such as privatisation and the North American Free Trade Agreement.

It is, however, far from clear that the left lacks a constituency. A good part of the PRD's decline appears to have come from avoidable errors. Ever since the party's formation in the wake of 1988 presidential elections formally won by Mr Carlos Salinas, which the opposition challenged as flawed, it has been caught between its refusal to boycott elections and its refusal to accept the results in most cases.

For its part, the PRI has benefited from having an opponent that channels left-wing protest into the electoral process but has been unable to establish a presence in government.

The party may have also made a strategic mistake in focusing its appeal on the poorest and most disenfranchised in Mexican society. "In 1988, Cárdenas won a large share of the middle class vote," said Mr Jesús Ortega, the party's leader in the lower house of Congress. "We lost that support, with the best will in the world, by concentrating our appeal on the people who have least."

But a leftwing vote of some size may still exist. The ruling PRI has struck a more left-wing note than before in its attempts to re-invent itself after the economic crisis, with some success. For months PRI officials have railed against neo-liberalism. And the party won back the state-house in the northern state of Chihuahua after an openly populist and left-leaning campaign.

The extreme left, however, has palpably lost sympathies it had. Once identified with calls for land and Indian people's rights, the Zapatista rebels who rose up in the state of Chiapas on January 1 1994 suffered a blow to their image over the course of 1995 as accounts emerged linking them to Marxist-influenced guerrilla groups of previous decades.

The future of the country's fragmented leftwing forces may depend on a new coalition that Mr Manuel Camacho, a prominent PRI defector, seeks to shape, though he passionately insists he is a centrist.

In the meantime, the PRD is struggling for its survival. "We've lost the mainstream for now," says Mr Amado Cruz, one of only seven PRD congressmen who were directly elected in the last elections, and who has seen the party fall to fourth place in his constituency. "If we want to show people that a vote for us is a useful vote and that we do know how to govern, we have little time to do so."

Cuauhtémoc Cárdenas campaigning last year in Michoacán

Mexico's peso fell early yesterday under renewed speculative attack, just a day before Mexico's government is to present its 1996 budget, Reuter reports from Mexico City.

The peso was down 35 centavos to 7.90 per dollar in both its 24-hour and 48-hour contracts. The same-day peso closed 22 centavos weaker to 7.88 to the dollar.

However, dealers said that dealing volume was thin.

Traders said that speculators could be testing the resolve of the central bank to defend the currency in spite of limited reserves after it intervened in the currency markets last Thursday in an effort to prop up the currency.

US office buildings back in favour with investors

By Afshin Molavi in Washington

The office building is making a strong comeback as the preferred target of both foreign and domestic real estate investment in the US, according to two recent surveys.

Both capital-rich US pension fund investors and foreign investors from Asia and Europe are bullish on the sector. Of the major cities, Atlanta offers the best prospects, followed by San Fransisco, Boston and traditionally strong New York and Dallas. Washington DC, has fallen from favour as investors withdraw from the nation's capital where Congress is eager to cut the size of government.

Domestic investors expressed particular interest in the suburban office building market, predicting 27 per cent value gains in five years and 46 per cent in 10 years, according to the annual trends survey issued recently by a Real Estate Research Corporation poll of domestic investors.

The recently suffering downtown office building market took the biggest ratings jump in the survey, with nearly half of investors saying they will buy downtown in 1996.

The study reckoned a 40 per cent appreciation in downtown office values over the next 10 years, putting it ahead of traditionally lucrative retail and just behind suburban offices.

Foreign investors are equally enthusiastic about office real estate prospects, ranking it the number one choice for future investment, according to a recent study conducted by the Association of Foreign Investors in Real Estate (Afire), which represents foreign investors comprising half foreign investment in the US.

"The office building is back," says Mr James Fetgatter, chief executive of Afire, who expressed surprise at the sudden resurgence of interest, noting that the office market was at the bottom of the last five years' surveys.

Japanese investors continue to disinvest but still lead all foreign investors in the US office market, followed by the Netherlands, UK and Canada. Dutch and German institutions are buying up significant portions of the Eastern US office market, while Asian office building investors stick mainly to New York and the West Coast.

Fujimori-backed candidates lose in local polls

By Sally Bowen in Lima

Results from Sunday's municipal election have revealed a crack in the authority wielded by Peru's President Alberto Fujimori. For the first time in six nationwide elections since 1990, the principal candidates backed by Mr Fujimori were defeated.

Lacking a genuine party structure, the ruling Cambio 90/Nueva Mayoria alliance concentrated its efforts on the two main constituencies. However, Mr Jaime Yoshiyama, Peru's former vice-president, was defeated by some 8 percentage points in the race for mayor of Lima by an independent, Mr Alberto Andrade.

In Callao, the capital's port, the official candidate and sitting mayor was trounced by a 25-point margin.

Popular rejection of his chosen candidate in Lima, home to a third of Peru's voters, looked a bitter pill for Mr Fujimori. He has devoted the past weeks to intensive appearances in Lima's shanty towns, inaugurating schools and stretches of road while simultaneously promoting Mr Yoshiyama. He pledged "total support" – this became the campaign slogan – if Mr Yoshiyama won. Mr Andrade, by implication, would find central government funding harder to come by.

Mr Andrade, mayor of the middle-class suburb of Miraflores since 1989, hung on to his early lead, capitalising on a well-deserved local reputation for efficiency and lack of overt opposition to the Fujimori regime.

Analysts point to two new features of this most recent election. First, a growing rejection by the lowest socio-economic groups of the Asian connection which once served Mr Fujimori so well.

More educated voters, meanwhile, were "increasingly opposed to the concentration of power in the person of the president." However displeasing to Mr Fujimori, Sunday's results cannot be interpreted as a body blow. At well over 70 per cent, the presidential approval ratings are as high as ever.

Mr Fujimori moved swiftly to minimise the possible challenge to his authority. Within hours of polls closing, he appointed Mr Yoshiyama to the powerful post of minister of the presidency. Here, his losing candidate will control a huge budget and, effectively, the purse strings for major public works projects in Lima.

If confrontation ensues, Mr Andrade's victory could prove a Pyrrhic one.

Alberto Fujimori: despite poll setback, his presidential approval ratings remain high

Arzú eyes first-round victory in Guatemala election

Rightwing candidate Mr Alvaro Arzú raced to an early lead in Guatemala's presidential elections but said it was not clear if he would pull off the first-round victory his supporters have already claimed, Reuter reports from Guatemala City.

"We are awaiting the results, we are fluctuating between 49 per cent and 51 per cent," Mr Arzú said, adding that a first-round victory was "feasible."

Shortly after midnight on Sunday a power cut plunged Guatemala City and large parts of the country into darkness and interrupted the vote count. Electricity supplies returned in parts of the capital 90 minutes later.

There was no immediate explanation for the power cut and speculation immediately focused on whether leftist guerrillas had renewed attacks within minutes of their two-week ceasefire ending at midnight.

Early results from the Supreme Electoral Tribune showed Mr Arzú winning 61.8 per cent of the votes in his stronghold of Guatemala City and some leaders of his probusiness National Advancement party took that as a sign of victory.

Jubilant supporters lit fireworks and waved flags in noisy celebrations outside their party's headquarters, even though only 5 per cent of the ballots had been counted in the capital.

However, Mr Arzú was not doing as well in rural areas, where unofficial returns had him gaining 40-45 per cent of the votes, and one party official said it was too early to claim outright victory, for which Mr Arzú needs more than 50 per cent of the votes cast.

A full count of Sunday's votes could take several days.

If Mr Arzú, 49, falls short of an absolute majority, he will be forced into a January 7 run-off vote with his closest rival.

That would almost certainly be Mr Alfonso Portillo of the Guatemalan Republican Front, who had won 17.4 per cent of the votes in Guatemala City, according to early results.

The FRG is led by former military dictator General Efraín Ríos Montt, who picked Mr Portillo when he was banned from running because of his role in leading a 1982 military coup.

Many Guatemalans were not impressed with most of the 19 candidates running and radio reports said only 40 per cent of the 3.7m electorate bothered to vote.

Tokyo resignation heals Seoul rift

By William Dawkins

Seoul and Tokyo patched up a diplomatic rift yesterday after a Japanese cabinet minister resigned, in atonement for claiming that his country's former colonial rule of the Korean peninsula had done some good.

The South Korean Foreign Ministry announced within hours of the resignation that President Kim Young-sam would, as scheduled before the row, meet Mr Tomiichi Murayama, the Japanese prime minister, in Osaka on Saturday.

South Korea had earlier cancelled the meeting in protest against the claim by Mr Takami Eto, director general of the Management and Co-ordination Agency. Seoul demanded Mr Eto's resignation, prompting an angry response from senior officials of his Liberal Democratic party, resentful of this intrusion into domestic politics.

Mr Eto, 70, a right-wing rural politician, is the third cabinet minister to have resigned since the start of last year for offending Japan's neighbours over its wartime record in Asia.

His departure lifts what would have been an embarrassing shadow over Japan's chairmanship of this week's summit of the Asia Pacific Economic Co-operation forum, the most important regional gathering chaired by Japan since the second world war.

Even before Mr Eto's gaffe, Japanese-Korean relations were tense, due to Mr Murayama's own suggestion last month that Japan's annexation of Korea, from 1910 to 1945, had been legal.

The past week, the tensest in Japan's relations with South Korea since the pair established diplomatic ties 30 years ago, is the latest example of how this year's 50th anniversary of the end of the second world war has proved, just as the Japanese Foreign Ministry feared, to be a diplomatic minefield.

Mr Eto made his fatal remark last week, but did not step down immediately because a majority in the LDP continued to support him. However, the government's hand was forced when South Korea shelved the bilateral summit over the weekend, and when the Japanese opposition group, the New Frontier party, submitted a no-confidence motion against Mr Eto in parliament.

Burma shifts from reliance on China

By William Barnes in Rangoon

A senior member of Burma's military junta has visited Russia for the first time, underlining that the once-isolated regime's reliance on China, its principal foreign partner, has become less vital.

The Russian embassy in Rangoon confirmed Lt Gen Tin Oo, the army's chief of staff, who is also a member of the so-called State Law and Order Restoration Council, recently visited Russia. An embassy official described it as a "goodwill familiarisation visit, with a relatively broad programme".

Diplomats in Rangoon first learned something was afoot when Gen Tin Oo "disappeared" from the pages of the local state-controlled newspapers for about two weeks. They strongly suspect the Russians will have offered to sell arms to the regime: cash-strapped Moscow has become an eager seller of weapons to Asia.

China is thought to have supplied the Burmese army with arms and equipment worth $2bn when Beijing was an international outcast after its bloody suppression of pro-democracy demonstrations in the late 1980s and Burma's refusal to stand aside for a popularly elected government.

The Chinese military hardware helped transform the Burmese armed forces into a "semi-modern" force that has grown in strength from around 190,000 to at least 300,000. The Burmese army has used its new strength to help many of the country's decades-old ethnic insurgencies.

China has also gained from its sponsorship of a rare ally during the awkward days after the collapse of communist Eastern Europe.

Other countries in the region have been alarmed by reports that the Chinese may have gained a foothold in the Indian Ocean following reports that Beijing has helped build naval bases and set up a long-range radar station in the Cocos Islands for the Burmese.

But many senior members of the highly nationalist regime are wary of becoming too closely tied to China as it begins to emerge from near isolation. Burma now regularly attends meetings of the Association of South-East Asian Nations, and has many foreign companies, mainly from Asia, nibbling at the business opportunities in its recently opened economy.

Japan also seems to be becoming an influential voice in Rangoon after resuming humanitarian aid. Japanese companies have positioned themselves to drive deeply into Burma when they judge the time to be right.

"Burma and China never particularly liked each other, but the relationship was convenient for both. That doesn't mean it will last forever," said Mr Bob Karniol, the Asia-Pacific editor for Jane's Defence Weekly.

Mr Chavalit Yongchaiyudh, Thai defence minister, recently revealed that China was no longer willing to supply Burma with "military aid". Burma is believed to have paid for its Chinese arms, albeit perhaps at friendship prices. But the message may be that Beijing does not want Rangoon to take China's friendship lightly.

Beijing spokesman makes embarrassing claim

Top HK judge caught in Bill of Rights row

By Simon Holberton in Hong Kong

Sir T L Yang, Hong Kong's top judge, has become ensnared in controversy surrounding the colony's Bill of Rights, the colony's civil rights law that China wants watered down, following embarrassing allegations by a senior mainland official.

Mr Zhang Junsheng, China's spokesman in Hong Kong, claimed the colony's chief justice had told him at a dinner that the rights law "undermined Hong Kong's legal system".

In making these claims concerning their discussion, which contradict Sir T L's public statements on the issue, Mr Zhang has dealt a possibly fatal blow to the chief justice's ambitions to become the colony's first chief executive, as the colony's post-1997 governor will be known. If correct, it has also raised questions about Sir T L's judgment for making them in the first place.

The chief justice, a Shanghaiese by origin and known to be close to Beijing, was regarded as front-runner for the chief executive's job. But observers in Hong Kong said Mr Zhang would not have made so compromising a remark without first obtaining authorisation from Beijing.

Last month, a Beijing-appointed committee of wealthy Hong Kong business people and Chinese government officials recommended the Bill of Rights be watered down, and that six civil order and broadcasting laws amended to conform with the bill be changed back to their original form.

This proposal, since endorsed by China, was criticised by all sections of Hong Kong opinion, including some of China's staunchest supporters in the colony. At that time, Sir T L said he had decided to break his own silence on the issue because the debate about the rights law was having a "shocking impact" on the community.

Sir T L was clearly embarrassed by Mr Zhang's intervention. He did not deny he made critical comments about the rights law, but said he could not recall the specifics of the conversation, which had occurred at a private dinner.

"If I had known they would be unveiled in public I would have chosen my words more carefully and done some research before making them," he said.

Sir T L denied Mr Zhang's claim he spoke publicly in favour of the rights law only after pressure from the Hong Kong government. When the controversy over the Bill of Rights erupted last month Sir T L implicitly criticised China in saying that the matter should be left to Hong Kong, not the Beijing government, to solve after 1997.

The Hong Kong government said the Bill of Rights in no way contradicted China's Basic Law for Hong Kong. "There is no reason to tamper with it," Mr Ian Wingfield, acting attorney-general, declared.

● The Hong Kong government's budget deficit for 1995-96 is likely to be in line with forecasts, Mr Mike Rowse, deputy secretary for the Treasury, said yesterday, Reuter adds. The government in March forecast a deficit of HK$2.6bn ($336m) against a surplus of HK$10.8bn in 1994-95.

ASIA-PACIFIC NEWS DIGEST

Singapore sees 9% growth rate

Singapore's economy grew by an unexpectedly high 9 per cent in the third quarter of the year, helped in large part by strong electronics demand following the launch of Microsoft's Windows 95 software programme. The government now expects overall growth in 1995 to be 8-8.5 per cent, up from an earlier forecast of 7-8 per cent. Last year the economy grew by 10.1 per cent.

"Electronics demand was boosted by the launch of Windows 95 which stimulated the production of personal computers and computer peripherals such as disk drives and printers," a government report said. However, the government warned that high labour costs and rising industrial land prices could lead to a reduction in exports and discourage new investments. *Kieran Cooke, Kuala Lumpur*

Kim Dae-jung declares 'war'

Mr Kim Dae-jung (*pictured left*), the veteran South Korean opposition leader, declared "all-out war" yesterday against his arch-foe President Kim Young-sam over a slush fund scandal. His comment to a meeting of his National Congress for New Politics signals the start of a mudslinging feud between the two ahead of parliamentary elections next April. The opposition party claims that competition for power between the two men lies behind the slush fund scandal in which ex-president Roh Tae-woo confessed he amassed $654m during his 1988-93 term in office. It believes the president engineered the scandal partly to spoil Mr Kim Dae-jung's image. As prosecutors delved into Mr Roh's secret fortune, the opposition chief was forced to admit he took $2.6m from the disgraced former president to help fund his unsuccessful race for the presidency in 1992. The admission shocked his supporters as Mr Roh is another sworn enemy. *Reuter, Seoul*

Inter-Korean trade declines

Approvals for trade between South and North Korea fell sharply in October because of damage to North Korea's transport facilities from a heavy summer rainfall, Seoul's Unification Ministry said yesterday. Trade approvals awarded in October totalled $13.58m, down from $19.72m in September and $20.76m in October 1994. *Reuter, Seoul*

Fried chicken outlet stays shut

The New Delhi outlet of KFC, formerly Kentucky Fried Chicken, the US food chain, will stay closed for at least 11 more days after a court yesterday declined to reverse cancellation of its licence. The Delhi high court set a second hearing on a petition by the PepsiCo-owned chain seeking to stay the cancellation and reopen the fast-food outlet, closed on Sunday following action by local health officials. "Let ordinary things be heard in an ordinary way," said Judge R C Lahoti. "Thousands of licences are cancelled every day." Delhi's state government, controlled by the Hindu nationalist Bharatiya Janata Party, cancelled the licence after officials claimed the premises were not clean. KFC is being targeted in protests by the BJP as well as environmentalists and peasant groups. Mr Kapil Sibal, KFC's lawyer, told the judges: "Two flies were found in the restaurant. At this rate, no restaurant in India will function." *Reuter, New Delhi*

CRA faces new union action

Australia's union movement yesterday indicated it planned to step up its industrial relations battle with CRA, the resources group planning to merge operationally with Britain's RTZ. Officials of the Australian Council of Trade Unions said every union in the country would be involved in unspecified action against the company "on a magnitude and level Australia has never seen". The ACTU and the company have been at loggerheads for two years over CRA's desire to move employees on to staff contracts and away from nationally agreed awards. *Nikki Tait, Sydney*

Vietnam suffers 'cement fever'

Vietnam has ordered the sacking of two directors from a state-owned cement company and publicly criticised six others after sharp rises in the price of the commodity earlier this year. The official Nhan Dan newspaper said yesterday Mr Ngo Xuan Loc, construction minister, had told the Vietnam Cement Corporation to sack Mr Nguyen Bon Bay and and Mr Vu Cong Tru, Hanoi branch directors of the Hoangthach and Bimson cement companies. The other six officials would receive a warning.

The action follows an investigation into "cement fever" which saw prices of cement rise sharply in late April and May. During that time, retail stores owned by Vietnam Cement Corporation were reported to have almost emptied because of alleged hoarding by speculators. *Reuter, Hanoi*

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NEWS: INTERNATIONAL

An uncharacteristic lapse in control-obsessed Riyadh

The car bombing in Saudi Arabia will shake that closed society's confidence, writes David Gardner, Middle East Editor, in Riyadh

The car bombing yesterday of the Saudi National Guard communications centre in central Riyadh, part-staffed by US military advisers, has rocked Saudi Arabia to its foundations. It is the first time the kingdom has been exposed to terrorist assault, and will shake that closed society's confidence in its own security.

For the US, five of whose servicemen were among six of the confirmed dead from a blast that injured at least another 30 Americans and a number of others, the Riyadh bomb recalled the Islamic fundamentalist bombings of its marine barracks and embassy in Beirut in 1983.

For both Saudis and Americans, the attack drove home the message that, even in ostensibly stable countries in the Middle East, violence is rarely far from the surface.

Violent dissidence, however, has featured little in the kingdom's experience since the ruling House of Saud put together modern Saudi Arabia by conquest in 1932. When the car bomb went off just after 11.30 local time yesterday, many people in the area assumed it was a gas explosion, or perhaps even an illegal alcohol distillery going up.

The force of the blast, however, rocked the Al Khozama hotel nearly a kilometre away with the power of a short, sharp earth tremor, and the 100-metres high column of brown, then black smoke suggested more than a domestic tragedy or a bootlegger's nightmare.

The target was the Office of Programme Management of the Saudi Arabian National Guard, the signals and communications headquarters of the military force whose primary function is internal control. It is headed by Crown Prince Abdullah, next in line to succeed King Fahd, the frail Saudi monarch.

Up to 50 US servicemen, understood to be experts in signals and monitoring communications, are attached to the centre, which GPT, the telecommunications arm of Britain's General Electric Company, has the contract to supply and maintain, according to local businessmen. Managers at GPT's Riyadh office – where the security passes have a National Guard insignia – refused to confirm this yesterday. "This is a very sensitive time.... I'll have to ask you to leave the premises," said one.

The communications centre, sited in a cluster of National Guard and Saudi Air Force buildings, was itself virtually unprotected, with a car park in front of it used by all-comers including, yesterday, by the car-bombers.

Speculation centred on Islamist dissidents, who in the wake of the Gulf war have called with growing stridency for a weakening of links with the US and the west, an end to corruption, and in some cases for the ruling family to share power by permitting Saudis to elect their representatives.

In recent months, leaflets have been circulated in Riyadh warning westerners against supporting the Saudi regime. The threat seems to have drawn little attention. Just over a year ago, the government rounded up hundreds of Islamist clerics and dissident academics after agitation against the ruling family centred on the north-western province of Qasim, a seedbed of Islamic fundamentalism. Soon afterwards, the self-described "Brigades of Faith", hitherto unknown, threatened to rocket and bomb western embassies and companies. The Saudi authorities said they knew of no such organisation, and nothing happened.

Yet yesterday's security lapse was uncharacteristic in a country where the absolute monarchy is obsessed with control: not only does Crown Prince Abdullah command the National Guard, his brother Prince Sultan, seen as third in the al-Saud line of succession, controls the armed forces as defence minister and inspector general.

Nothing changed in the security set-up this August when the king reshuffled the cabinet and senior civil service to bring technocrats to the fore.

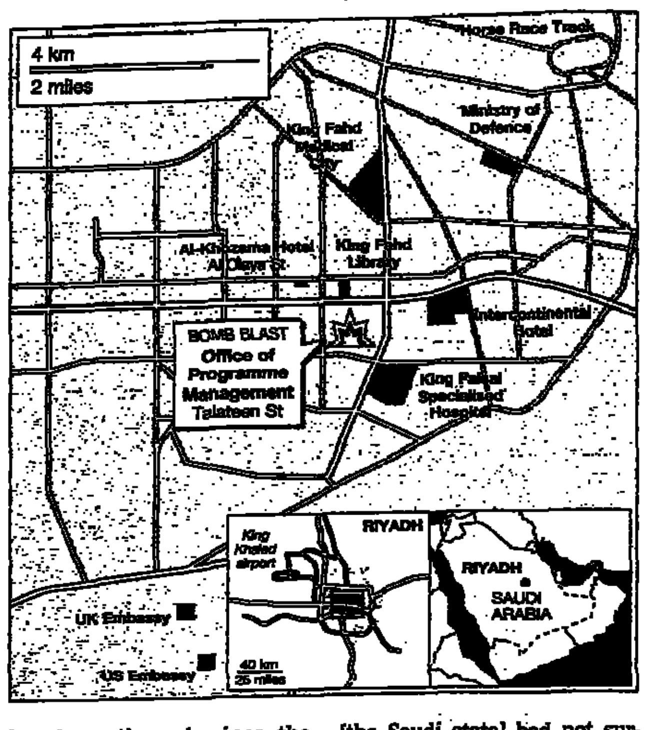
He used the opportunity to sack six of the kingdom's seven university chancellors, in what was seen as an attempt to tighten control of campuses. For, irrespective of episodic speculation about the king's health and the succession, the al-Saud face pressure from two main sides: Islamist zealots uncomfortable with western influence and widespread corruption, and determined to hold the ruling family to its austere, Wahhabi brand of Islam; and a highly-educated young generation of Saudis, chasing declining job and career opportunities as flat crude prices depress an essentially oil-driven economy.

It is the Islamist pressure which the ruling family fears most. Hence the attempts to rein in the free spending of the wilder among its 5,000-odd members; hence the free rein given to the Motawa, the religious police who enforce rigid public morals; hence the macabre spree this year of nearly 200 public beheadings under the Saudi interpretation of Sharia law; and hence the government's pressure on allies such as the UK, which allows the kingdom's Islamist opponents to use London as a base for its fax-borne propaganda war against the al-Saud.

The ruling family can now be expected to act with exemplary vigour in an attempt to overcome this new challenge to its hegemony and demonstrate again its extraordinary resilience.

It has managed sudden and great oil wealth from ownership of a quarter of the world's oil reserves, followed by an even more sudden collapse in oil prices; it has coped with importing into its closed society foreign labour equivalent to a third of the workforce; it survived the 1979 seizure of the Great Mosque at Mecca by Islamist zealots, and polices the annual influx of 2m Moslem pilgrims, among them organised partisans of Iran's Islamic revolution; and, most germane to yesterday's events, it is struggling to come to terms with the socially discomfiting after-effects of having allowed 500,000 foreign troops on its soil during the 1990-91 Gulf crisis.

One middle-ranking member of the royal family remarked earlier this year that "if you have looked at the emergencies and dislocation this country has been through since the 1950s – and you didn't know the outcome – you would surely have concluded that [the Saudi state] had not survived." But, he added, "the challenge is not over; in some respects, it is just beginning."



Clinton warms towards Unesco

By Andrew Jack in Paris

The US is considering rejoining Unesco, the United Nations educational, scientific and cultural organisation, 11 years after its controversial decision to resign.

In a letter sent to Mr Frederico Mayor, Unesco's director general, at the end of last week, President Bill Clinton said that his country's membership was "on my list of priorities for the future".

He said the current US budget constraints made re-joining impossible at present but that he was continuing "to explore ways to identify the necessary resources to make this wish a reality". The move represents a sharp change since the US quit Unesco in 1984 in response to concerns about the anti-American nature of many of the organisation's activities, as well as accusations of mismanagement.

The letter indicates the US no longer has any ideological objections to re-joining Unesco and says Mr Mayor has taken "great strides to address the concerns and issues that led to US withdrawal". Eight years ago Mr Mayor replaced Mr Amadou-Mahtar M'Bow of Senegal, who had been director general since 1974 and who had been criticised for his autocratic approach.

The president's comments reinforce assurances by his envoy, Ms Patricia Gentry Edington, who told the Unesco assembly last week that Mr Mayor "is to be congratulated for his leadership and commitment to constructive change that has restored Unesco's focus".

The letter is in contrast with recent declarations by government leaders including Mr John Major, the British prime minister, that there needed to be more restructuring and possible abolition of United Nations' agencies.

The US resignation deprived Unesco of 25 per cent of its budget, which was further affected a few months later when Britain and Singapore resigned.

Mr Clinton's letter precedes celebrations for the 50th anniversary of the creation of Unesco on Thursday, commemorating the date when the organisation's charter was signed in London.

The US and other critics were particularly concerned during the early 1980s about Unesco's proposed "new world information and communications order" which they believed would have led to censorship of the media.

'No doubts' over Nigeria gas project

Paul Adams reports on the attitude of the oil majors to their $3.6bn export scheme

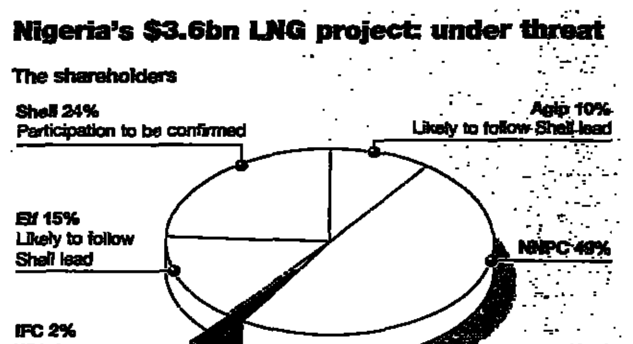
Multinational oil companies and the Nigerian government are pressing ahead with plans for a gas export scheme at Bonny near Port Harcourt despite pressure on Royal Dutch/Shell to pull out of the $3.6bn (£1.9bn) project in protest at last week's execution of Mr Ken Saro-Wiwa and fellow Ogoni activists.

"A decision on Wednesday or soon afterwards is still realistic," said Mr Theo Oerlemans, managing director of Nigeria Liquefied Natural Gas in Lagos yesterday. "We are continuing with our decision-making because we believe that this project is in the interests of the country."

"I am not aware of any doubts on the part of the main shareholders. The project is commercially sound and we have no reason to do anything else but proceed on that basis," said Mr Oerlemans.

The final investment decision was due to be made tomorrow by the shareholders of the Nigeria Liquefied Natural Gas (NLNG) company, which are the state-owned Nigerian National Petroleum Corporation (with 49 per cent), Shell (24 per cent), Elf Aquitaine (15 per cent), and Agip (10 per cent).

The plant would be the biggest industrial project in Nigeria's history and the biggest step towards exploiting its underdeveloped or wasted gas reserves. From 1999 for at least 20 years LNG would bring export revenues peaking at $1bn a year, 10 per cent of Nigeria's total current exports.



Gas exports add to Nigeria's revenue without being counted as part of its Organisation of Petroleum Exporting Countries quota. The project would also reduce the amount of gas flaring, a grievance of environmentalists, and create an infrastructure to exploit other gas reserves.

Nigeria has gas reserves almost as large as its oil deposits. Its industry experts see gas as more important to Nigeria's future than oil. But the project has been stalled several times since it was first planned in the 1960s. It was almost cancelled in 1992 over political interference in the board by the Nigerian government, then revived by the private sector partners who took the majority of the equity with Shell taking the lead.

A Shell international statement at the weekend that the decision on whether to proceed would be taken by the end of the year has led to speculation that the decision was being delayed for political reasons, as European Union governments gather today to discuss measures, possibly sanctions, against Nigeria for continued military rule and human rights abuses.

The shareholders have to commit themselves well before the end of the year to award the remaining contracts to a consortium led by Kellogg of the US and to engineering companies from France, Italy and Japan to build the gas plant and facilities in time to meet export orders by 1999.

The shareholders would also make up the shortfall after the International Finance Corporation, the commercial lending arm of the World Bank, withdrew its offer to take equity and loans worth about $300m from the project last Friday, ostensibly over Nigeria's poor macro-economic performance but almost certainly because of political pressure from the US and other OECD countries which control the board and who now regard Nigeria as a political pariah.

Until now, the final investment decision depended solely on whether shareholders could raise the cash needed. There are no official credits or donors' funds for the project after the shareholders failed earlier this year to raise any external loans, partly because of Nigeria's poor creditworthiness.

The Nigerian government is already struggling to repay arrears of more than $700m from last year to the oil companies, and to keep its current $2bn annual share of costs to oil exploration and production joint ventures. It is heavily in arrears on its debts to the Paris Club of official creditors.

By the middle of this year $1.3bn of shareholder capital was already in place and another $500m has been spent on initial site work and equipment, including LNG ships. NLNG is confident the partners will raise most of the remaining $1.8bn, of which about $600m should come from NNPC.

There has been no comment so far from the proposed buyers of the gas, mainly European state-owned corporations. Italy's electricity utility Enel is to buy half the gas, 3.5bn cubic metres a year, and Gaz de France and Enagas of Spain most of the rest. Turkey's Botas has just signed up to buy some of the surplus. Following the recent decision by Distrigas of the US to pull out of its deal to buy about 10 per cent of the gas, NLNG executives say they expect to find an alternative buyer in Europe.

Shell points out that the project is expected to benefit local communities with 6,000 new jobs created directly in a region where employment is very low, and will help to reduce the flaring of wasted gas, which is one of the main grievances of communities in the Niger delta against the oil companies operating there.

Campaigns to stop the LNG project have overlooked gas projects begun earlier this year by Chevron and Mobil of the US at Escravos and Oso respectively which will cost a combined total of $1.5bn to build over the next three years but would add greatly to Nigeria's gas production. Mobil Producing Nigeria last month secured $300m on the international debt market to fund part of its Oso phase two project.

Rabin's legacy fulfilled as troops pull out of Jenin

By Julian Ozanne in Jerusalem

Israel yesterday pulled its troops out of the West Bank Arab town of Jenin ending 28 years of military occupation.

The handover of Jenin to Palestinian forces was hailed by Palestinians as a fulfilment of assassinated Prime Minister Yitzhak Rabin's peace legacy.

"Without a doubt this day crowns the work of Prime Minister Yitzhak Rabin who lost his life working for peace," said General Nasr Yussuf, Palestinian military chief.

Jenin's 40,000 Palestinian residents rejoiced at the departure of Israeli troops, danced in the streets, draped buildings with Palestinian flags and fired guns in the air.

The withdrawal also signalled the determination of acting Prime Minister Shimon Peres to meet Israel's peace commitments and complete its withdrawal from Palestinian areas ahead of Palestinian elections due January 20.

In the coming weeks Israel will hand over Tulkarem, Kakilya, Nablus, Ramallah and Bethlehem to Palestinian security forces and will partially withdraw from Hebron, a flash point of Arab-Jewish violence.

Under the West Bank peace agreement signed in September, Israel will also hand over limited civil and security powers to Palestinians in 450 towns, villages and refugee camps.

"This is a first step, the very important step to implement what we had agreed upon and we have to thank Mr Peres for fulfilling his promises," said Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

In Cairo, members of the ruling body of the PLO ended a two day meeting with a call for all Palestinian groups, including the Islamic militant Hamas group, to take part in the multi-party elections for an 82 member executive and legislative council.

Palestinian officials said they were about to engage in a dialogue to convince Hamas to abandon its armed struggle against Israel and participate in the unprecedented polls, the first ever Palestinians elections. The officials said Hamas' decision not to boycott the electoral registration campaign, which started this week, was a positive sign that the two might reach a compromise.

"The committee considers there is a need for participation by all Palestinian people, in social and political institutions in the building of our homeland," said Mr Yassir Abed-Rabbo, a senior PLO official.

In Israel, Mr Peres met Mr Benjamin Netanyahu, leader of the right-wing opposition Likud party, and agreed to defuse mounting tension between left and right sparked by Mr Rabin's murder.

Foreign investors are in no hurry to divest

Nigeria is highly vulnerable to economic sanctions, as it attracts more foreign direct investment than any other African country, despite its political instability and ill-conceived macro-economic policies.

Figures compiled by the United Nations Conference on Trade and Development (Unctad) show inflows averaging $836m (£532.5m) annually between 1990 and 1993, virtually double the inflow to Morocco, in second place with $422m. The oil sector absorbed the bulk of the $8bn-plus of foreign investment in Nigeria between 1981 and 1994.

Foreign investors yesterday said they had no plans to divest, despite last week's executions of Mr Ken Saro-Wiwa and eight others, which attracted international condemnation. Companies, including Unilever, Nestlé, Paterson Zochonis, Guinness, and Standard Chartered Bank, among the leading non-oil investors in Nigeria, said consumers and shareholders had put them under no pressure to divest. "We have had no calls or letters on the subject at all," Guinness, the food and drinks group, said.

Unilever, the Anglo-Dutch consumer goods group with a total Nigerian turnover of £55m a year, said: "We've been in Nigeria since before the turn of the century. We are committed to Nigeria." But it said that any import or export sanctions against Nigeria would hurt its business there. After the government this year scrapped the indigenisation decree, allowing foreign companies to take a majority stake in Nigerian-based companies, Unilever took a 100 per cent share in Unilever Nigeria (formerly Sewards) which mainly produces skin products.

Unilever's other Nigerian interests include a 40 per cent stake in Lever Brothers Nigeria, which produces detergents, personal products and foods. On Friday, Lever Brothers Nigeria and Unilever Nigeria are holding an extraordinary general meeting to discuss a merger. Few Western companies are likely to want to attract adverse publicity by following Unilever in taking majority stakes in Nigerian businesses.

Nestlé, the Swiss food giant whose two factories in Nigeria employ 1,300 people, said: "We do not intend to withdraw. It is hard to see why we should punish the Nigerian consumer for some acts of its government".

Guinness said it would not be reducing its 40 per cent stake in Guinness Nigeria. The company is carrying out a five-year £45m re-equipment plan on its four Nigerian breweries. It said it was "difficult to conceive" of any international sanctions that would affect Guinness's interests in Nigeria.

Mr Alan Whittaker, finance director of Paterson Zochonis, the Manchester toiletries and detergents group, said any sanctions against Nigeria would only affect arms sales and foreign visits by military officers, and would therefore not hurt his company, which has 5,000 employees in the country and controls 40 per cent of the local detergents and soap market. He said Paterson Zochonis had been helped by the government's scrapping exchange controls and the indigenisation decree in this year's budget.

Standard Chartered Bank, which cut its stake in First Bank of Nigeria from 38 to 9.9 per cent this year, said it expected to divest no further. On the executions, it said: "In the current political and economic environment, this move doesn't surprise us". Western banks, active in Nigeria 15 years ago, have virtually all already divested.

Enthusiasm for new energy sector investment is strong. Last month, Amoco Nigeria Petroleum Company announced plans to expand its Nigerian operations and become an oilfield operator "as soon as possible".

In September, the US oil group Texaco, which two years ago signalled its intention to divest its 60 per cent stake in Texaco Nigeria, said it had reversed this decision and would spend $200m on oil exploration and production in 1996: double this year's budget. Mobil and Chevron, the US oil companies, began large gas projects earlier this year.

The opening up of deepwater acreages for exploration and the production-sharing system for developing new oil projects have attracted a growing number of foreign players, with Esso, BP, Statoil and others following companies such as Shell, Mobil and Chevron into explorations.

Parallels with the Commonwealth's other sanctions experience, in South Africa, are inappropriate. In South Africa, disinvestment was driven partly by the conviction that it would foster political change, as it did, but also because white minority rule appeared almost open-ended.

The two year time-scale for Nigeria's potential suspension from the Commonwealth, on top of General Sani Abacha's promise to return the country to civilian rule within three years, means foreign companies are more likely to sit out the crisis than divest. They will calculate that Nigeria, after South Africa, is the one strategic sub-Saharan market, in terms of sheer size and growth potential, that few multinationals, especially in consumer industries, dare ignore.

Tony Hawkins and Simon Kuper

Opposition quits Tanzania poll

All opposition candidates withdrew from Tanzania's presidential race yesterday, paving the way for the ruling party's Benjamin Mkapa to become head of state, Reuter reports from Nairobi.

At a news conference, a coalition of 10 opposition parties said they would also boycott repeat presidential and parliamentary polls in the capital Dar es Salaam scheduled for next Sunday.

"Because of the irregularities that took place everywhere, I do not see any point in contesting the presidency," said Mr Augustine Mrema, leader and presidential candidate for the NCCR-Mageuzi party.

He said the opposition had no confidence in the National Electoral Commission, which ran the October 29 polls, condemned by independent monitors as chaotic and by the opposition as rigged.

Mr Ibrahim Lipumba of the Civic United Front (CUF) and Mr John Cheyo, leader of the United Democratic Party (UDP), also announced they were withdrawing from the presidential race.

The opposition bowed out facing almost certain defeat from the October 29 elections and losing its legal battle for the presidential and parliamentary polls to be declared null and void. The high court earlier on Monday rejected two opposition applications to have the Dar es Salaam re-run cancelled and the announcement of presidential election results suspended.

The ruling Chama Cha Mapinduzi (CCM-Party for the Revolution) was set for a landslide victory in the parliamentary race, having gained 80 per cent of the seats declared so far.

هكذا من الأصل

Irish PM issues fresh peace challenge

By John Murray Brown and John Kampfner in Dublin

Government officials in the Republic of Ireland yesterday disclosed details of a six-point agenda for breaking the impasse in the Northern Ireland peace process.

The agenda was sent last week by Mr John Bruton, prime minister of the republic, to his British counterpart, Mr John Major.

It includes a target date for all-party talks. These would begin six weeks after a report by an international commission to establish the good intentions of the Sinn Féin party, the political wing of the Irish Republican Army.

The officials said the "twin track" approach could be launched immediately on the successful conclusion of a summit between Mr Bruton and Mr Major. The scenario, as envisaged by Dublin, would open with preliminary talks, involving the individual political parties and ministers from both governments.

These would take place at the same time as a commission charged with finding confidence-building measures that could pave the way for the all-party negotiations. The commission, Irish officials insist, would deal as much with political issues as with the minor details of how to secure the handover of some arms by the IRA and pro-British paramilitary groups.

"It must be dominated by political people, and should not be a body of dewy-eyed Scandinavian generals," one government aide said. Dublin's decision to take the initiative reflects growing concern at the lack of progress in the British government's direct talks with Sinn Féin. The six points include:

- The issue of a target date.
- Whether the commission should deal exclusively with terrorist arms.
- Procedures for setting up preliminary talks.
- The basis on which political parties will speak on behalf of paramilitaries (this is designed to ensure that Sinn Féin is authorised to speak on behalf of the IRA).
- The extent of the commission's remit.
- How this would fit in with the proposal of pro-British parties in Northern Ireland for a new elected assembly for the region.

The republic's government hopes that its definition of the commission's work contains sufficient flexibility to secure the co-operation of Sinn Féin. Sinn Féin has long insisted that all arms, including those held by the British army, should be considered part of the equation.

The government of the republic prefers the commission to have the last word on much of the detail.

The approach appears to assume that the commission, to be headed by Mr George Mitchell, President Clinton's adviser on economic policy for Northern Ireland, can make sufficient progress to allow a second summit at the end of the six-week period.

Confederation of British Industry Delegates challenged over approach to single currency

Rightwing Tory woos business on European policy

Paul Cheeseright in Birmingham

Mr John Redwood, the backbench leader of Conservative Eurosceptics who earlier this year challenged for the party leadership, attempted yesterday to dislodge the Confederation of British Industry from support for European economic union.

His intervention came as the CBI leadership started a new campaign, Business in Europe, to spell out the "economic realities" behind being what Mr Niall Fitzgerald, vice-chairman of Unilever, called "committed pragmatic Europeans".

Speaking in Birmingham yesterday at a meeting on the fringe of the CBI annual conference, Mr Redwood evoked the standard Eurosceptic fear of loss of sovereignty if sterling becomes part of a single European currency.

"Don't be a sheep and be exported live into Europe against your will," Mr Redwood exhorted about 100 business leaders. "If we entered a single currency, business would soon discover that far from making it easier for them, it had made them uncompetitive."

However, delegates in Birmingham faced threats on every side. There would be commercial damnation if the UK became more deeply engaged in Europe, commercial damnation if it did not.

For Sir Leon Brittan, vice-president of the European Commission, the safe working assumption is that there will be an economic and monetary union in Europe by the end of the century. If, as the Eurosceptics urge, the UK turned its back now on Emu, "we would certainly lose any further influence over the process of setting it up," Sir Leon said. "That would be a real disadvantage, as if it is set up, it is bound to affect us enormously. If we say 'no' now, there is no compensating economic gain and no lasting political advantage either."

Both Sir Leon and the CBI leadership are keen for the government to act more enthusiastically towards Europe, and fearful of the consequences if it does not. The Business in Europe initiative follows CBI criticism last week that the debate on the UK role in Europe has become negative and threatens UK economic interests.

"Those of us who do business in Europe know that the UK has been steadily losing credibility as a negotiating partner in the EU. Maybe even more dangerous, we are increasingly ignored," said Mr Fitzgerald, who is chairman of the CBI's Europe committee.

Sir Bryan Nicholson, the CBI chairman, also used his opening address to the conference to attack the "frenzied fringe" for attempting to hijack the debate over Europe.

Sir Bryan said the EU continued to dominate political and economic debate but lamented the fact that it generated more heat than light. "There are too many people around who substitute messianic fervour for rational debate," said Sir Bryan.

Opposition Labour party leader Mr Tony Blair yesterday took his first step towards defining the top rate of income tax under a Labour government, when he said in an interview that Labour would not return to "80 per cent or 90 per cent tax rates".

He was explaining his statement in yesterday's speech to the Confederation of British Industry conference that "penal rates of taxation ... are gone for good". In the interview, Mr Blair said he would announce any planned increase in the top rate of tax before the next election.

"I want a tax regime where, through their hard work, risk and success, people can become wealthy," he said in his warmly received speech.

He also gave an indication in the interview of how a Labour government would set its inflation target. This would be fixed by reference to targets in other comparable countries, such as "France, Germany and other European Union members".

Christopher Haskins, chairman, Northern Foods: "The only reason for not wanting to be part of Emu is to have the option of devaluation"

Bill Good, managing director, Sterling Tubes: "The elimination of state aids in Europe is critical"

David Lovatt, managing director, Acme Marls: "Uneven distribution of grants will force lesser companies to close"

Exporter swerves past cones obstacle

By Michael Cassell, Business Correspondent

Mr Harry Houghton was at his wits' end. After successfully selling reflector cones to German highway authorities, the managing director of Swintex – a Lancashire-based manufacturer of road safety products with export sales of around £2m ($3.14m) a year – was informed by the country's transport ministry that, after complaints by local competitors, his company's products were to be tested.

In the meantime, they should not be sold because they did not have a type approval certificate. "But there were no detailed standards in place and our cones easily exceeded the basic requirements," recalls Mr Houghton. "We asked what standards they intended to test them against and they said they would devise one."

A draft standard was created and Swintex cones easily complied. But then the German authorities made the first of 12 upward revisions in their standard requirements. Each time, Swintex cones passed and finally the authorities refused to test them further, declined to publish the promised standard and refused to issue a type approval certificate.

But after the intervention of the DTI's Single Market Compliance Unit – and under threat of investigation by the European Commission – the authorities published the new standard. Swintex sales in Germany, which had by then fallen by 80 per cent, have since risen rapidly and the company is now back on good terms with German officials.

Though the DTI's Compliance Unit operation is a modest one – it comprises only three people – its work has been given a high priority by its political masters, who earlier this year initiated a trade barrier action plan intended to expose breaches of trade rules around the world.

Of the complaints received, some revolve around the implementation of standards and other problems include the failure of public authorities to repay value added tax within statutory periods, disputes on labelling and suspected breaches in public procurement regulations.

Its casebook includes a UK hot air balloon maker who was wrongly prevented by Belgian Customs officers from taking his products into the country, a drinks manufacturer faced with altering production lines in Spain because of proposed restrictions on bottle sizes and a canned fruit producer incorrectly told by the Irish authorities that its products had to be packed within the EU.

Each year, the unit receives around 1,000 inquiries from businesses but only about 50 or 60 lead to full case investigations. Of these, around one-third are likely to reveal trade barrier violations; the biggest number of offenders are German.

The unit has embarked upon a more pro-active strategy, instigating its own reviews into areas like public procurement markets and promoting its services more aggressively. While the politicians prepare for the next, bumpy stage on the road towards European integration, the DTI team intends to ensure the nuts and bolts of the single market are securely tightened.

UK NEWS DIGEST

Tax authorities may charge for advice on rules

Britain's Inland Revenue yesterday offered to make taxpayers' lives easier by giving clear rulings on how it would tax them on specific transactions. But the bad news is: it would charge a fee for the service.

So-called "pre-transaction rulings", a feature in many other countries, were put forward in a Revenue consultation paper as a way of simplifying and providing certainty in the UK tax system. A formal and binding tax advice system would be designed to complement the existing regime in which informal advice is offered in a number of areas – normally at no charge. The system could cover the whole range of taxable transactions – from a multinational merger or management buy-out to an individual taxpayer's investment plans.

But the charging of a fee will prove controversial, especially in the run-up to the introduction of the new self-assessment tax system in 1996-97. The government said any charging structure would have to recover costs but be flexible enough for "all taxpayers with a genuine need". Its intention is to recover costs from taxpayers seeking rulings.

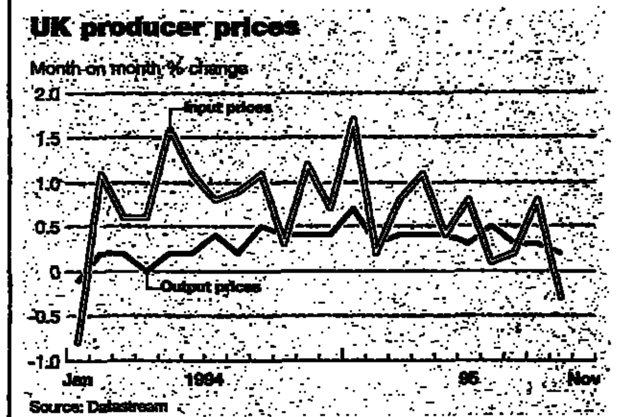
Jim Kelly, Accountancy Correspondent

Manufacturers' costs fall

Manufacturers' fuel and raw material costs fell back last month for the first time since January 1994, providing strong evidence that inflationary pressures are easing. The decline in industrial input costs was coupled with signs that manufacturers are also beginning to rein in price rises at the factory gate – the annual rate of increase in the cost of basic goods declined last month for the first time since June 1994.

Economists said the figures were the first sign that recent weakness in world commodity prices was feeding through to manufacturers' costs. They said the easing of manufacturers' price and cost pressures was likely to pave the way for lower retail price inflation next year.

The figures were also in line with recent business survey evidence which had pointed to moderating price pressures in industry. The Treasury said the figures were a clear sign that pipeline pressures were subsiding. The Central Statistical Office said the cost of raw materials and fuels purchased by industry fell by a seasonally adjusted 0.3 per cent last month. On a non-seasonally adjusted basis, the cost of raw material and fuels fell by 0.7 per cent last month. The decline reflected falls in the prices of crude oil and imported metals, and chemicals, the CSO said.



Graham Bowley, Economics Staff

Action urged on ferry safety

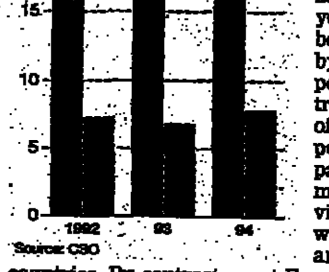
The government called on the International Maritime Organisation to take decisive action to improve the safety of roll on-roll off ferries as its two-year meeting began in London. Lord Goschen, shipping minister, urged the meeting of representatives of more than 150 maritime nations to accept the recommendations made in May by the IMO's panel of experts. The panel called for improved drainage systems on ferries, inner doors on the car deck and audible alarms to warn if a bow door had been forced open by the sea.

The IMO had to balance the interests of governments, shipowners and passengers, but "the question of costs to shipowners must not be allowed to undermine the need for real improvements in ferry survivability," Lord Goschen said.

The government had earlier threatened to impose tougher safety standards on ships entering UK ports if the IMO did not take effective action. North European countries are generally in favour of stricter controls while the Mediterranean shipping nations are against costly improvements. The sinking of the Estonia in the Baltic in September 1994 with the loss of 900 lives prompted renewed scrutiny of ferry safety.

Charles Batchelor, Transport Correspondent

Holiday air travel numbers soar



UK travellers prefer flying when they go abroad. Just under 70 per cent of trips abroad last year were by air. The number of flight-inclusive package holidays last year was 29 per cent higher than two years before, while the number of package holidays taken by sea fell over the same period. Half the total holiday traffic last year was made up of people travelling to European Union countries on a package holiday; day visitors made up only 8 per cent of all visits. In the main those who went abroad by sea took a car and travelled to other EU countries. By contrast, most French visitors coming to the UK by sea did so in a coach. Package holidays, whether by sea or air, grew more strongly than independent travel. Business travel increased by 10 per cent over the same period, with one in five business trips made by sea.

Scheherazade Daneshkhu, Leisure Industries Correspondent

Editor resigns

Mr Ian Hargreaves, editor of the Independent, resigned after 14 months in charge of the newspaper. Mr Charles Wilson, a director of Mirror Group, one of the main shareholders in Newspaper Publishing and a former editor of The Times, will take over as acting editor. According to senior Independent journalists Mr Hargreaves was asked to make severe financial cuts that would have put the cost structure of the paper on "a different planet". Under the editorship of Mr Hargreaves, a former deputy editor of the Financial Times, The Independent began to look more attractive, but circulation moved up only modestly. The May-October average in 1994 was 279,468 and in the same period this year had risen to 287,010. A peak of 300,000 was reached this June. It is believed the total includes 16,000 in bulk sales.

In March Mr Hargreaves came under pressure from the Mirror Group and flew to Dublin to seek and get the support of the other main shareholder in the group – Mr Tony O'Reilly, the chairman of Independent Newspapers in Ireland.

Raymond Snoddy, Consumer Industries Staff

Drugs alert: A drugs dealer who lost a bag of high-strength Ecstasy tablets phoned police and urged them to issue a public warning. The anonymous caller told officers that he had lost a small plastic bag with 73 tablets in Longton in the English Midlands. "The man said these tablets are stronger than normal and are dangerous," said the police.

Profits expected to surge

THE NATIONAL LOTTERY

Camelot, operator of the National Lottery, is expected to announce a sharp rise in profits next week, Raymond Snoddy writes. This follows a first year of operation in which 4.5bn tickets were sold.

In the six months from April to September, the first period to benefit fully from both online and scratchcard sales, post-tax profits are believed to be about £23m ($36.11m).

There was a £10.8m pre-tax profit for the year to the end of March, which included less than six months of lottery operation.

There has been controversy over the likely level of Camelot's profits although, according to its forecast, the level of profit over the seven years of its licence will be less than 1 per cent. The opposition Labour party has said it would like the National Lottery to go to a non-profit making organisation when the present licence runs out. The Camelot consortium consists of Cadbury Schweppes, the food and drink conglomerate; De La Rue, the security printer; G-Tech, the US lottery equipment company; Racal Electronics; and ICL, the computer group.

Ahead of the results, expected on Tuesday, Mr Tim Holley, Camelot chief executive, confirmed that the possibility of a new midweek National Lottery draw was under "active consideration".

A midweek draw and a television game show based around instants scratchcard winners are both being considered.

"We want to try to keep sales at the present level and steadily grow and we will consider all possibilities for new games, such as a midweek draw, in that context." Mr Holley said.

Camelot is concerned not to flood the market with too many games at once. The group said yesterday that the National Lottery was the UK's biggest impulse consumer brand. "Interest is undiminished."

New research shows that the National Lottery is not only the largest individual lottery in the world, Raymond Snoddy writes. It also makes the second-highest contribution in tax and payments to good causes as a percentage of total sales. Camelot hands over 41 per cent, and is just behind the New Jersey lottery on 42 per cent.

Camelot also comes number one in total sales per employee at a total of $14.3m. It fares worse however on lowest percentage operating expense as a percentage of total sales. The Camelot figure of 13.1 per cent compares with 6.8 per cent for Puerto Rico and 8.3 per cent in New Jersey.

The UK lottery is 12th by contribution to government when calculated on a per capita basis. Its prizes have totalled more than £2bn ($3.16bn).

Central bank joins plea to stock exchange

By John Gapper, Banking Editor

Mr Pen Kent, executive director of the Bank of England, last night joined calls for the London Stock Exchange to co-operate with bourses in mainland Europe in order to facilitate the growth of cross-border share dealing.

Mr Kent's remarks followed an attack on the stock exchange by Mr Rudolf Mueller, chairman of UBS UK, a division of Union Bank of Switzerland, who accused it of having "missed the boat" to being the central exchange for Europe.

Mr Kent said the idea that the stock exchange should have established a European role before the current trend towards remote membership of exchanges was "a bit of a *non sequitur*," but that it now needed to co-operate with others.

"It is up to the London Stock Exchange to decide whether it would be best served by a 'beat them or join them' attitude to continental exchanges," said Mr Kent, adding that he favoured a "join them" solution to cross-border trading.

Controversy over the role of the London Stock Exchange in Europe has been fuelled by the increasing moves by some large securities brokers to trade European shares on local European exchanges rather than through its SEAQ I system.

Mr Michael Lawrence, stock exchange chief executive, argues that because investment banks will increasingly use London as a base to trade European shares, there is little need for it to work to create a single European exchange.

Mr Kent, addressing the inaugural dinner of the City Group for Smaller Companies (Cisco), said fragmentation of methods for the trading of shares could make markets more expensive, but could also help improve efficiency.

Yes, there still is a British-owned car industry

John Griffiths meets the owner of a small but growing part of it

Visitors from Mercedes-Benz and Ferrari have been known to leave the TVR sports car factory at Blackpool in northern England silent with bowed heads shaking.

Until very recently, employees insisted with perverse pride that the plant looked like "a dog's breakfast". They still call part of it "Ned's kennel", referring to chairman Mr Peter Wheeler's ever-present dog. TVR, Mr Wheeler readily concedes, is not quite as other car makers. In the wake of the recent London Motor Show, TVR is starting first deliveries of its latest creation and first ever four-seater, the Cerbera.

The car is a year late and has cost far more than expected. "It would be well over budget – if we'd had a budget," says Mr Wheeler, the 52-year-old former accountant who bought TVR as an intended hobby about 10 years ago and who remains its sole owner.

The Cerbera looks different from the previous year's show car – which attracted 400 deposits – has a different chassis and is equipped with an engine which is entirely of TVR's own design and construction – an extraordinarily audacious undertaking for a company whose annual sales are measured in hundreds of thousands.

The warranty on the Cerbera, just like its Griffith and Chimaera stablemates, is one year, unlimited mileage – compared with three years from Japanese and Korean producers. Is this a risky proposition for someone paying £37,000 ($58,090) "They can take it or leave it," says Mr Wheeler. "We've been around long enough and I don't think we've really let down anyone yet."

Prospective owners are taking it in such numbers that TVR is at last expanding – a step Mr Wheeler has avoided for several years, having once pledged never to take on staff whom he might later have to make redundant.

Having acquired 7,200 sq m of premises adjoining the TVR plant, more than doubling working space, TVR has recruited 100 employees to bring the total to more than 400. It plans to add several dozen more. It is projecting output of 1,500 cars next year, compared with 845 last year and an expected 1,000 this year.

In another big development, yet to be announced, Mr Wheeler has signed an agreement with a group of Malaysian investors under which TVRs will be produced in a plant near Kuala Lumpur for sale in the rapidly expanding Asia-Pacific markets.

He refuses to name individual investors, implying only that they include prominent national figures. It will, he insists, be a production facility, not a "screwdriver" plant. Big mechanical components will be imported but the cars' chassis and composite plastic bodies will be fabricated and moulded in Malaysia. Blackpool, however, will continue to supply Japan, which absorbs nearly 15 per cent of TVR's output.

In the past TVR has concentrated on developing a domestic market big enough to see it through the cyclical peaks and troughs which have killed off many another specialist carmaker. Now, Mr Wheeler wants the extra production stability that comes from a mix of overseas markets.

In spite of the glowing tributes regularly accorded to TVR in the UK motoring press, it is no easy task. Exports still account for only 20 per cent of production. "The biggest disappointment is Germany," says Mr Wheeler. "We should be doing 200 units, but we're only doing 50 to 60."

Much of the increased volume will be Cerberas. The lightweight TVR V8 engine for these, the AJP8, has seen a season of motor racing in TVR's hugely popular championship for its own purpose-built Tuscan racing cars.

Current output is 21 cars a week. It will rise to 25 or 26 this month and may reach 30 a week by the end of the year. Such volumes were inconceivable in the old plant. Now each process has its own dedicated building and there is even a substantial reception area.

"You might say we've repotted it," says Mr Ben Samuelson, Mr Wheeler's aide. He, like the rest of the TVR management team, is under 30. "You practically have to be," he adds. "This place is still going at 11 o'clock at night, not because people have to be here but because they want to be."

Mr Wheeler concedes that "we've had a fantastically good year for sales". But there are still uncertainties. Mr Wheeler does not know whether the Cerbera will prove merely an alternative for customers who would otherwise have bought a smaller TVR. "We haven't done any market research."

The devil-may-care approach and Mr Wheeler's own insistence that he is "not motivated by money" is deceptive. Financial controls are tight, and TVR makes money. Every month Mr Wheeler reviews the figures to make sure the last month was in the black.

Output of sports cars

	1994 total
Mercedes-Benz SL Class	17,500
Porsche	18,000
Ferrari	2,500
TVR	845
Maserati	748
Lotus	660
Morgan	450

Source: motor industry; some figures rounded up

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Praise for Prozac

Scientists are finding a raft of new applications for Prozac – dubbed the wonder drug of the 1990s – from migraine headaches to domestic abuse.

The drug, made by Eli Lilly, has so far received US Food & Drug Administration approval solely for depression and obsessive compulsive disorder.

A study presented at a New York Academy of Sciences conference last month used Prozac to treat men for aggression.

A controlled study of 40 males with domestic abuse records found that those given Prozac had fewer violent impulses than those receiving a placebo. The research was led by Emil Coccaro, a psychiatrist at the Medical College of Pennsylvania in Philadelphia.

In September, a Phase II study by the US biotechnology company Sepracor found that S-fluoxetine, a single-isomer form of Prozac, was effective in treating migraine headaches.

Prozac can also be used to combat premenstrual syndrome, according to a study published by Meir Steiner in the New England Journal of Medicine in May. And Eli Lilly is awaiting FDA approval for the use of Prozac in treating bulimia. Prozac is cleared for bulimia in 21 countries, including Ireland and the UK.

One reason Prozac has such a broad range of applications may be that it is a "dirty drug". That is, it affects the functions of the brain in a non-specific way scientists do not completely understand by increasing the levels of seratonin, an important neurotransmitter.

The research represents a comeback for Prozac, which a few years ago was being blamed for increasing aggression in patients and was facing public demands to take it off the market. Scientists and physicians continue to defend the drug's prescribed use for depression, obsessive compulsive disorder and other diseases.

The drug chalked up sales of $1.7bn (£1.1bn) last year.

Victoria Griffith

Nuala Moran reports on a chemical reaction which is giving new insight into the cause of brain diseases

Food for thought

A chemical reaction long studied by the food industry for its role in taste and waste has become a focus of biomedical research. It could lead to treatments for diseases ranging from complications of diabetes to brain disorders such as Alzheimer's.

The Maillard reaction, first described in 1912, is a spontaneous chemical reaction between sugars and proteins, which turns food brown when cooked and causes spoilage of stored foods.

The first hint that sugars and proteins could react in the same way in the body and that this might have a role in disease came in 1977. Anthony Cerami, then a researcher at the Rockefeller Institute in New York, *was studying an abnormal* protein known as haemoglobin A1c that occurs in the blood of diabetics. He discovered that sugar in the blood stream can react with normal haemoglobin to form A1c, a "glycated" haemoglobin.

Since then the evidence has mounted that glycated proteins – proteins with sugar chains added as a result of the Maillard reaction – are involved in a number of illnesses suffered by diabetics.

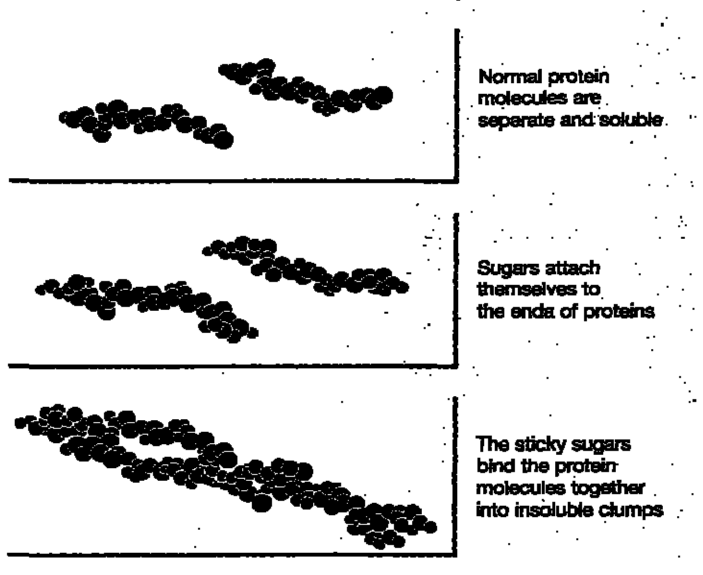
The idea that the Maillard reaction could also be involved in brain diseases was proposed last year by two researchers in Cambridge, Camilo Colaco and Charles Harrington. One distinguishing feature of diseases including Alzheimer's, Parkinson's and Creutzfeldt-Jakob is the formation of the insoluble protein deposits called amyloid plaques and tangles, which accumulate in the brain.

Although it has been known for some time that these modified proteins are derived from normal cellular proteins, the mechanism for their formation remains unknown. Colaco and Harrington proposed that the Maillard reaction might cause this modification.

The reaction, first described by a Frenchman, Louis-Camille Maillard, in 1912, is actually a chemical cascade. The first step requires very little energy to get going and is reversible in the presence of water (which explains why sausages do not brown in a microwave oven). There follows a complex cascade leading in the end to the production of glycated proteins and brown pigments. These pigments cause the characteristic browning of fried, grilled and roasted food.

The possibility of a link between the Maillard reaction and brain diseases occurred to Colaco as a result of research by the bioscience company Quadrant Holdings Cambridge. Quadrant specialises in the use of a naturally occurring sugar called trehalose for preserving pharmaceuticals, foodstuffs and blood. (Desert plants and animals achieve suspended animation during drought by substituting their water molecules with trehalose).

Glycation:
Is this how Alzheimer's plaques and tangles form?



When they were comparing the preservative action of trehalose with that of other sugars, Quadrant researchers noticed that although several sugars can prevent damage to proteins during drying, the products did not keep at room temperatures. Investigation showed this was due to a spontaneous reaction between the sugar and the protein: what the researchers were witnessing was the Maillard reaction. The food industry has long been aware of this as a cause of spoilage; in foods containing high levels of sugar and protein the reaction is even observed during refrigerated storage. "But it was previously unrecognised in the pharmaceutical industry as a problem in the use of sugars to stabilise dried protein drugs," says Colaco.

While studying the spoiled samples Colaco (who had previously done research on neurodegenerative diseases at the Medical Research Council's Institute for Medical Research in London) noticed that the degraded proteins resembled the materials isolated from brains of patients suffering from brain diseases, most notably Alzheimer's. He was also aware of the research linking the Maillard reaction with diabetic complications.

Diabetics may have 10 times the normal level of glycated proteins in their blood

Following Cerami's original insight, the idea that complications of late onset diabetes, including kidney disease and atherosclerosis, are due to elevated blood sugar levels promoting the formation of glycated proteins has become widely accepted. Diabetics may have 10 times the normal level of glycated proteins in their blood.

This weight of evidence has prompted the search for ways to prevent the formation of glycated proteins by inhibiting the Maillard reaction or to block their action in the body. For example Alteon, a biotechnology company based in New Jersey, is carrying out clinical trials of a Maillard inhibitor, called pimagedine for treating kidney disease. The pharmaceutical company Hoechst Merrill Roussel has licensed the rights for this treatment from Alteon.

Jim Mauser, Alteon's chief executive, acknowledges the importance of the Maillard reaction. "Food chemists have known about this *reaction for years*. As human beings, with a body temperature of 98.6°F, we are all slowly cooking."

A meeting in Cambridge last year brought together academic researchers and industrialists to discuss the significance of the Maillard reaction in human disease and to gauge interest in the potential medical implications. Novo Nordisk, Wellcome, SmithKline Beecham, Glaxo, Unilever, Rhône-Poulenc Rorer and Zeneca were among the companies represented.

The Department of Trade and Industry is considering a proposal to fund a collaborative research project on the medical implications of the Maillard reaction, under the government's Link programme.

In the meantime, new evidence linking the Maillard reaction to diabetic complications has added weight to Colaco's theory that the reaction is also involved in brain diseases. One complication is cataracts, a condition in which the lens of the eye turns opaque. Molecular analysis of cataracts shows them to contain modified proteins very similar to those found in the brains of people with Alzheimer's disease. Furthermore, animal studies carried out by Alteon indicate that Maillard inhibitors "may have significant activity in Alzheimer's", according to Mauser.

The most important implication is that defects in glucose (sugar) metabolism have a role in the development of Alzheimer's disease. This is supported by evidence from the body scanning technique Positron Electron Tomography which shows that Alzheimer's patients exhibit abnormal glucose metabolism in the brain.

"This finding could provide the first screening technique for following progression of the disease," says Colaco. Such a technique would also be invaluable for assessing if treatments are effective.

But it remains to be seen if and when pharmaceutical companies will find the evidence compelling enough to begin focused research on Maillard reaction inhibitors as a therapy for brain disease.

Reinforcement in the Aids battle

Clive Cookson reports on an armoury of new drugs

Doctors will receive much-needed reinforcement for their armoury of drugs against Aids, following a review of three new treatments by the US Food and Drug Administration last week.

The FDA's antiviral drugs advisory committee recommended quick approval of all three medicines: 3TC, discovered by Biochem Pharma of Canada and commercialised by Glaxo Wellcome of the UK; saquinavir from Roche of Switzerland; and d4T from Bristol-Myers Squibb of the US.

If the full FDA accepts the recommendations, as observers expect, it will double the number of medicines licensed to attack HIV, the virus that causes Aids. Those currently available are AZT, the market leader which Wellcome introduced in 1987, DDC from Roche and DDI from Bristol-Myers Squibb.

The FDA review is significant for two reasons. First, it adds momentum to the use of "combination therapy" – drug cocktails rather than single medicines to control Aids. Two of the new drugs, 3TC and saquinavir, will be licensed for use in combination rather than on their own.

"There is so much clinical data coming in that things are changing very rapidly in HIV therapy," says James Palmer, Glaxo Wellcome's medical operations director. "A few months ago there would have been much more resistance to a combination claim. Now the message is 'hit it hard and hit it early'."

The other significant fact is that saquinavir is the first of a new class of drugs which attack HIV in a different way from those now on the market. AZT, DDI, DDC are "reverse transcriptase inhibitors" (as are 3TC and d4T); they block the enzyme that enables the virus to replicate itself.

Saquinavir – and several other drugs in earlier stages of development – are "protease inhibitors". They block another enzyme which is involved in the maturing of new virus particles.

David Kessler, FDA commissioner, said last week that if both protease inhibitors and reverse transcriptase inhibitors were approved, doctors would for the first time be able to give HIV a "one-two punch" by hitting it in two places at once.

Kessler accepted that saquinavir had limitations as a drug but he said that as superior protease inhibitors came through the pharmaceutical industry's development pipeline, they would be the most active class of anti-HIV agents discovered so far.

Under pressure from Aids activists to get new treatments on to the market as quickly as possible, the FDA committee recommended approval on the basis of clinical data that would be judged inadequate for most other diseases. The evidence submitted for 3TC and saquinavir showed that they effectively restored patients' immune systems – as measured by cell counts – and reduced the amount of HIV in their blood; but clinical trials have not yet continued for long enough to show how the drugs improve the patients' health and prolong their lives.

There is no consensus among analysts about the market potential of the new drugs. But David Barry, who oversaw the development of AZT as Wellcome's US research director, believes that there will be no blockbusters in the Aids field.

The growing number of Aids drugs and the popularity of combination therapy mean that spending will have to be split between an increasing number of suppliers, so there will therefore be less income for each.

On top of that, drug development in Aids is harder than in most other fields. Much management time is consumed by managing the political and ethical issues, such as dealing with patient lobby groups.

"Senior management spends more hours per future dollar sold than with other disease areas," says Barry, who has just founded Triangle Pharmaceuticals, an anti-viral drug company. The net result is that "Roche, Bristol-Myers Squibb and others are probably seeing that the chances of a decent return on capital are small".

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[illegible]

In the High Court of Justice Chancery Division Companies Court No 00 of 1995

IN THE MATTER OF TOTAL COATINGS UK LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice on the 9th day of November 1995 for the confirmation of a reduction of the share premium account of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 22nd day of November 1995.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share premium account of the Company should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

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Ref: ...
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LAW

Interim relief in national courts

EUROPEAN COURT

National courts may grant injunctions in cases involving European regulations where the validity of the regulation is the subject of a reference for preliminary ruling from the European Court of Justice, the Luxembourg court ruled last week.

The case arose out of proceedings in Germany between the Atlanta group and the German Federal Office of Food and Forestry. Atlanta challenged the validity of a council regulation on the common organisation of the market in bananas and, in particular, the allocation of import quotas for third-country bananas.

The Frankfurt Administrative Court shared Atlanta's doubts about the regulation's validity, and ordered a stay of proceedings pending a preliminary ruling by the European Court. Atlanta asked the Frankfurt court for interim relief ordering the Federal Office of Food and Forestry to grant it additional import licences pending the ECJ's decision.

This prompted the German court to make a second reference for a preliminary ruling. The second reference asked whether, and if so when, a national court could order positive measures of interim relief.

Last week's ruling related to the second reference. The Frankfurt court questioned first whether a national court which has asked the ECJ for a ruling may make an interim order provisionally settling or regulating the disputed legal position pending the ECJ's decision.

In an earlier ruling in the Zuckerfabrik case, the court had ruled that national courts could order interim relief consisting of suspensory measures. The question was whether that principle extended to cover interim relief which created a new legal position for the benefit of the person seeking legal protection.

Following a review of its earlier decisions, the court concluded that in the context of an action for annulment, the Treaty of Rome not only authorises a national court to order application of a contested act to be suspended, but also confers on it the power to prescribe any necessary interim measures.

Thus the Frankfurt court was not precluded from making a positive order provisionally disapplying the disputed regulation by ordering the grant of additional import licences.

The second question referred by the Frankfurt court concerned the conditions under which a national court could grant such interim relief. The ECJ clarified the conditions which had already been set out in Zuckerfabrik in relation to suspensory interim relief, and stated clearly that those conditions must be observed when a national court orders any interim relief.

The court said there were four requirements to be fulfilled before granting such interim relief. First, the national court must entertain serious doubts as to the validity of the European measure which is being challenged. If its validity is not already in issue before the ECJ, the national court must refer it to Luxembourg. When making the interim order, the national court must set out why it considers the ECJ should find the measure invalid.

Second, the national court may only order such interim relief where it is urgent. It must be necessary to avoid serious and irreparable damage being caused to the party seeking the relief. Purely financial damage will not generally be regarded as irreparable.

Third, the national court must take due account of the European dimension. It must examine whether the European measure in question would be deprived of all effectiveness if not immediately implemented.

Finally, the national court must respect any decisions of the ECJ or the junior Court of First Instance as to the legality of the European measure.

C-465/93: Atlanta Fruchthandelsgesellschaft v Bundesamt für Ernährung und Forstwirtschaft, ECJ FC, November 9 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Falotti's star rises at restructured AT&T

Pier Carlo Falotti, 53 (pictured left), who only joined AT&T just over a year ago, has been put in charge of all the international operations of the slimmed down AT&T. Falotti, who spent 23 years with Digital Equipment in Europe, currently heads AT&T's operations in Europe, the Middle East and Africa and is based in Brussels.

AT&T announced in September that it was splitting itself into three separate companies focused on communications and information services, systems and technology, and computing. The communications services group will be the core of the "new" AT&T and will continue to be headed by Robert Allen, AT&T's current chairman and chief executive.

The rest of the new top management team consists of AT&T veterans. Gail McGovern, 43, becomes executive vice president of the business markets division. Joseph Nacchio, 46, becomes executive vice president of the consumer and small business division; and John Petrillo, 46, will be responsible for business strategy.

BZW's French ambitions

Guy de Froment, 45 (left), has been put in charge of BZW Asset Management's bid to become a major player in the French investment management business. France is Europe's second biggest investment management market and BZW is keen to expand its business, which has funds under management of Ffr28bn. De Froment has taken over as directeur géneral of BZW Asset Management (France), which has been managed up to now by Jean Jacques Wilmart who has other responsibilities in the local bank.

McNamara for Caspian

Robert McNamara, 79, ex-US defence secretary and former president of the World Bank, is one of those businessmen who never want to give up. Having retired as a director of blue chip companies ranging from Ford, Bank of America, Royal Dutch Petroleum and the Washington Post, he is joining the board of Caspian Holdings, an investment banking boutique set up by Christopher Heath, the former managing director of Baring Securities.

Heath, who left Barings well before it collapsed, is hoping to recreate the success of his previous venture. McNamara's arrival in an already star-studded board room should help Caspian's bid to become a major player in the emerging markets of Latin America and Asia.

BAT Australia move

Stuart Watterton (left) is to replace David Chapman as chief executive of BAT Industries' Australian subsidiary, WD & HO Wills. Chapman's departure, after only seven months in the job, follows a fierce tobacco price war in Australia, which saw Wills' operating profits down by some 72.6 per cent to A$11.54m in the half year to June 30. However, the company said his move had much more to do with a global reorganisation of BAT's tobacco business, announced early last week, than with the poor results.

His successor, born in 1948, joined the UK-based tobacco and financial services group in 1972, and has seen most corners of the BAT empire in the intervening 23 years. Most recently he was responsible for special projects, personnel, corporate affairs, legal and secretarial services at Batco, the UK subsidiary.

Hopkins for GM auditor

Deborah Hopkins' appointment as general auditor of General Motors, the archetype of corporate America, sounds another blast for women reaching the senior echelons of US multinationals, writes Haig Simonian.

Only a handful of women feature among GM's 60-odd vice presidents. But although the general auditor is not on quite such an exalted level, the arrival of Hopkins, 40, who has worked for the past 13 years at Unisys, the computers group, marks an important step nonetheless.

Hopkins will be responsible for GM's internal auditors around the world, reporting to Leon Krain, the vice president in charge of the finance group. The motor industry will be familiar territory for her: before moving to Unisys, she worked for almost five years for Ford.

■ GM is meanwhile looking for up to three candidates to fill the empty slots on its board *of directors*, increased this month with the resignation of Paul O'Neill, chairman of the Alcoa aluminium group. O'Neill is stepping down because Alcoa wants to encourage as many car companies as possible to use aluminum on future vehicles.

GM's board tends to fluctuate in size. However, the company has indicated in the past that 15 is a good number. The tally after O'Neill's departure is just 12.

Hopkins: returning to the motor industry from Unisys

ON THE MOVE

■ Norbert Enste, 44, a former managing director of Commerzbank International Capital Management, has been made a partner of B Metzler seel Sohn & Co, Germany's oldest privately-owned bank. Enste, who joined Metzler a year ago, will be responsible for the group's institutional asset management.

■ Dieter Farny, Bernd Michaels and Dieter Wendelstadt join the supervisory board of Cologne Re on December 21.

■ Michael Nebauer has replaced the late Helmut Press on the management board of Kodak AG. Nebauer, who was previously with Electronic Data Systems, is responsible for finance and management.

■ Joerg Sellner, 47, is to be president of the new electronic components division of the French Alcatel-Alsthom group and will manage the division from Stuttgart. He was previously employed by Mauser-Werke Oberndorf.

■ Ellen Beatty, former manager of finance at Maxus Energy Corporation, has joined Quaker State Corporation, the Texas-based motor oil company, as treasurer.

■ Helmut Hoitz has taken over the management of personnel at Unisys Deutschland. He joins from Kraft Jacobs Suchard.

■ Bruce Haase has joined The Ryland Group, the USA's third-largest homebuilder, as treasurer. He previously worked with Caterair International Corporation in Bethesda, Maryland.

■ Biogen has appointed Thomas Borcholte as country manager, Germany, and Peter Lindborg becomes business director-Europe. They will be responsible for the launch of Avonex. Borcholte joins Biogen from Glaxo Wellcome, Germany. Lindborg joins from Merck, where he was associate director of product management marketing.

■ Joseph D'Andrea has been appointed chairman and chief executive of Hoenig Group, parent of a US securities broker. He replaces Ronald Hoenig, who died of leukemia last month. Alan Herzog has been appointed ceo and Max Levine becomes president of Hoenig & Co, the company's brokerage operation.

■ Rodney Gray, chairman and chief executive of Houston's Enron Global Power & Pipelines (EPP), has added the title of president following the resignation of James Alexander.

■ Xavier Potier has taken over as the French Aerospatiale group's representative in Germany.

■ Theodore Roberts, 66, chief financial officer of ABN AMRO North America and president of Chicago's LaSalle National Corporation, will retire on December 31. He will be replaced as chief financial officer of ABN AMRO North America by Thomas Heagy, 50, vice chairman of LaSalle National Corporation.

■ Tim Jamieson, president and chief executive of Nordica U.S.A. and Benetton Sportsystem Canada, is to resign at the end of the year. After an 18-year career in the ski industry, and four years at the helm of Nordica U.S.A. and BSS Canada, Jamieson says "It feels like the right time for me to move on."

■ James Tuerff, who has retired as president of American General Corporation, a Houston-based financial services company, has been succeeded by Robert Devlin, formerly vice chairman. Jon Newton, formerly senior vice president and general counsel, has been elected vice chairman.

■ Rory Argyle, senior partner with Parker & Parker solicitors, has been appointed a director of Melbourne-based Woodside Petroleum.

■ Hamid Bouidar, 53, has been named managing director of Brasseries du Maroc, Morocco's largest brewery controlling 95% of the national beer market. He replaces Hamid Benchekroun. Bouidar was previously managing director of ONA Group, the conglomerate in which the Moroccan royal family and international investor George Soros have a stake.

■ Eason Jordon has taken over as head Turner Broadcasting's CNN International, the network's outside-US news organisation. He replaces Peter Vesey, who is leaving to start a new business.

■ Tommaso Pompei, currently central manager at Omnitel, has been appointed head of policy and strategy at Olivetti's telecommunications division.

■ Alexander Bossard, 45, has been appointed president of Sulzer Technology Corporation's North American unit, Sulzer Inc. Bossard, a 22-year veteran of Sulzer, was previously managing director of Sulzer's De Pretto Escher Wyss division in Italy.

■ Graeme Walker, 44, former group general manager, finance with Normandy Mining, has joined Sydney-based Ampolex as chief financial officer.

■ Gordon Howlett, Qantas executive general manager international operations, will become executive general manager national operations. Colin Hughes, currently group general manager national operations, will become group general manager international operations. Howlett joined Qantas in 1994 from Avis Australia. Hughes joined in February after holding senior positions with Cathay Pacific, Continental Airlines and Northwest Airlines.

■ Neil Fisher has been appointed executive director of the Grains Council of Australia. He replaces Mitchell Hooke, who has joined the Australian Food Council as executive director.

■ Ronald Solberg has been appointed head of Chase Manhattan Bank's economic research group for Asia, based in Hong Kong. He joins from Pacific Investment Management Company of Newport Beach, California.

■ Peter Barlow, former head of Bank of America's Asian project finance unit, has been appointed executive vice president of Nomura Project Finance International in Hong Kong. David Carew, another ex-Bank of America executive, has joined Nomura Project Finance as senior vice president reporting to Barlow.

■ Rubin Pfeffer has been appointed president of McGraw-Hill's new division, McGraw-Hill Home Interactive. He joins from Harcourt Brace & Co.

■ Daniel Ramirez-Isava, formerly director and board member of Petroquimica de Venezuela SA, has taken up his appointment as chief executive of British-based companies Bitor Energy and Bitor Europe. He succeeds Manuel De Oliveira, who has been appointed executive president of Petroleos de Portugal, Petrogal SA.

■ John O'Carroll, a 25-year hotels industry veteran, becomes regional vice president operations for UK and Scandinavia at Intercontinental Hotels & Resorts, and general manager of the group's flagship Hotel Inter-Continental in London. He was previously vice president operations for the Mediterranean region.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

هكذا من الأصل

ARTS

The *British Art Show* continues in its worthy quinquennial role of taking a substantial sample of recent British art into the regions. It so happens that I was the sole selector of the very first British Art Show, which opened at Sheffield 16 years ago. The brief I had accepted was to make a broad but personal selection of work made in Britain within the previous three years or so. And this I did, in so far as I could, taking work from 112 artists, that embraced figuration and abstraction, minimalism and conceptualism.

The catalogue foreword now tells us that the British Art Show has changed its character since my day, in response to "new developments" and "rising public expectations". Quite how the latter match the former is but the first question to be begged. "The work of artists in this country", it goes on, "embodies too complex a blend of influences, cultures and beliefs" for any representative survey. The show "has moved by degrees away from a catholic spread across generations and styles to the presentation of increasingly challenging and innovative work."

Small wonder then that the three selectors should have objected to the title from the beginning. In the words of one of them, Thomas Lawson: "... to take on responsibility for a notion of Britishness that none of us could identify just seemed too much." Poor things – so flattered to be asked to take on the job: so unhappy then to lay head on block.

"From the outset we argued for a shrinking of outside expectations." So much for those rising public expectations. Here was to be nothing more than "a selection of what we three could agree was the most challenging work made in Britain during the past five years." It is an admission as pitiful as it is damning.

So what is it that is thus, by that absolute criterion, so challenging? Clearly it is the sole province of the young, for all but one of the 26 artists represented are under 36, with Lucia Nogueira, who arranges matchsticks on panes of glass, the one exception at 45. Her loose assemblages, so Richard Cork, another selector, tells us, "explore a sense of fracture ... Her images are broken because she cannot imagine working in any other way ... (She) makes a virtue out of incompleteness."

There is no painting worth the name, and no sculpture, if that word retains any meaning. Whatever is made by hand is poorly done. Here are Mark Wallinger's racehorses, painted with painstaking lifelessness: he throws together "images of thoroughbred racing and royalty in a delirious critique of primogeniture" (Lawson). Kerry Stewart's mannikins may "nag at the conscience in a deliberately naive yet independent way" (Cork), but they are none the less crude in the modelling for that. The paintings of Gary Hume, whose "target was another English affliction: tastefulness" (Cork), merely gives ineptitude a new dimension.

Lawson and Rose Finn-Kelcy, the third selector, giggled at Prince Charles's watercolours before coming to the conclusion that what "provided the necessary ironic framework that made them interesting was the elaborate presentation of insignia and signature" on the supporting screens. Lawson is very keen on irony, of which I'm sure he takes the true meaning – the deliberate stating of the opposite of what is meant. "Can painting offer anything fresh at this historical moment?", he asks. "Can painting, alone, be deployed with irony, but not seem coy?" Clearly not.

Pantomime costume and fibreglass resin: 'Oh No He's Not, Oh Yes He Is', 1995, by Mark Wallinger

Pseudo-profundities

William Packer despairs at work selected for the British Art Show

"The best art being made in this country, regardless of medium," he asserts, "is actively informed and enlivened by a grasp of various cultural and political theories." So it must be back to the seminar for Lucian Freud and Euan Uglow, Anthony Caro and Eduardo Paolozzi. The day of their unironical innocence is surely past when Anya Gallaccio "enriches her work with references to painting" as she smears the walls with melted chocolate. Here is Sam Taylor-Wood's video of a naked male dancer swinging along to Samuel Barber. And here is Gillian Wearing taking photos of herself, with nothing on, in bed with other women. Catherine Yass takes photographs of empty corridors, Bridget Smith the curtains of empty cinemas. Douglas Gordon shows us old film of two doctors forcibly restraining an hysterical woman. Tacita Dean shows a man putting a ship in a bottle, and a clip of an old wind-jammer. Chris Ofili, inspired, we are told, by William Blake, sticks elephant turds to his canvases. And there, in the middle of it all, is the sorcerer's apprentice, Damien Hirst, with his butterfly collages and pickled sheep.

The only challenge in any of such pseudo-profound inanity is to our patience. "As the 1990s lurch towards an ignominious close, more and more young artists", says Richard Cork, "are becoming preoccupied with a sense of frustration, confinement and loss." They are not alone.

The British Art Show 4: several Manchester venues until February 4, then on to Edinburgh and Cardiff; a National Touring Exhibition, organised by the Hayward Gallery for the Arts Council: sponsored in Manchester by Siemens.

Obituary

Robert Stephens

The 40-year acting career of Robert Stephens, who died yesterday, illustrates the truth of a sentiment in *King Lear*, one of the successes that cast a fiery sunset splendour over his later years: ripeness is all.

A trouper who began his career in Caryl Jenner's Mobile Theatre Co, he moved to the Royal Court at its most exciting period under George Devine. He appeared in new work (Nigel Dennis' *Cards of Identity* and *The Making of Moo*) as well as classics such as *The Country Wife* (with the young Joan Plowright) and innovative productions of (then) lesser-known masterworks like *The Good Woman of Sechuan* with Peggy Ashcroft.

The company included a young actor called John Osborne: Stephens created the title-role in his *Epitaph for George Dillon*; and he was in at the beginning of Olivier's National Theatre at the Old Vic. But after a career that vacillated between conventional professional success and an unpredictable private life, it is the autumnal glow of his Falstaff and Lear for the Royal Shakespeare Company, performances that seemed to sum up the wisdom of accumulated triumphs and miseries, that lingers warmly in the memory.

Born in Bristol in July 1931, Stephens was trained at the Bradford Civic Theatre School. Though not one of the aggressively proletarian young actors of the post *Look Back in Anger* new wave, he became identified with new writing at the Royal Court in its most literary period, and throughout his career could alternate effortlessly between the establishment and the fringe. In 1982, for instance, he combined *Pygmalion* in Los Angeles and *Othello* in Cape Town with the iconoclastic lavatorial frolics of *WCPC* at the tiny Half Moon in London's East End.

In the mid-1960s he was the National Theatre's leading man, capable of mustering up full-blooded passion for *A Bond Honoured*, doomed dignity in *the Royal Hunt of the Sun*, and the high brittle style for *The Recruiting Officer* and the historic *Hay Fever* which launched the rehabilitation of Noel Coward. In these comedies he acted with Maggie Smith who became his third wife and with whom he formed a notable partnership in such productions as Franco Zeffirelli's slightly sugar-coated Disney-cute version of *Much Ado About Nothing* for the National Theatre, and a commercially mounted *Private Lives* which enjoyed a West End success.

This collaboration may have seen Stephens marking time, for the archness that became his wife so well could come over as mere mannerism on him. There was a player of tougher, quirkier and more individual capabilities struggling to get out. This could emerge unexpectedly: in 1984 Stephens' potential as a tragic actor leapt from the screen in the television adaptation of John Masefield's *Box of Delights*. He invested the sinister Abner Brown with the flawed, bitterly self-aware nobility of one fallen from grace that was worthy of Milton's Lucifer. This was great acting that, like a great professional, Stephens lavished on a children's serial as generously as if he were playing on one of the world's most famous stages.

Stephens' career seemed to tread water for a time, when easy commercial success, unexacting film and television work, and the personal problems that he made no secret of appeared to have put an end to the great classical actor before his potential was fully realised. His comeback, for that was what it amounted to, was marked by a triumphant Falstaff in *Henry IV, Parts I and 2* for the RSC in 1991 which won him the Olivier Best Actor Award. Two years later his King Lear followed. By then he had the satisfaction of a settled domestic life and the added pleasure of seeing his son, Toby Stephens, develop as an actor worthy of the family name.

Martin Hoyle

Concerts/**Stephen Pettitt**

Nyman's 'rough music'

Writing about Michael Nyman's music has got me into trouble in the past. How does one explain that, popular though it is, it drives most people with a modicum of musical sensibility quite barmy? That the ideas are bland, manipulated according to tired old formulae; that the whole purpose of the exercise seems to be to desensitise? No wonder many colleagues avoid him.

But even I have to admit that Nyman seems to be trying harder these days. He gets big orchestral commissions, obviating the need for the players to be miked up to ear-splitting levels. And instead of producing short, punchy, numbers, Nyman is struggling with larger canvasses, wrestling with traditional notions of tension and resolution, as in his Harpsichord Concerto, first heard last May, suggested. With his latest work, the Trombone Concerto written for Christian Lindberg and revealed last Thursday at the Royal Festival Hall, he explores a few stages further.

This time the tension is between the soloist's efforts, which begin with a sentimental but very lovely and simple tune, and the orchestra's continual determination to undermine him. Nyman's note referred to E.P. Thompson definition of "Rough Music" as the "rude cacophony ... which usually directed mockery against individuals who offended against certain community norms"; he meant such sounds as the rattling of buckets, cans and kitchenware. In the course of the piece, the rough side of the music progresses from the pulsating single note which is Nyman's (boring) hallmark to the violent and startling *coup de théâtre* of the beating of a metal sheet to a rhythm the composer apparently pinched from a chant heard at a football game. Towards the end the brass intone the march from Purcell's Funeral Music for Queen Mary, though whether the mock-Hollywood style was ironic or to be taken at face value was not altogether clear. Throughout the piece, the trombone explores a variety of avenues but eventually finds himself back where he started, with that same little tune.

Lindberg, given an extremely tough part to play, was brilliant, and the BBC Symphony Orchestra under Richard Hickox entered into the spirit of the piece. What it lacked, for all its noise, was the feeling of being constantly on the edge, of the protagonists's horns being locked in conflict. Again the problem is of Nyman's own dilemma, between the musical depth that I believe is within him and the tendency, perhaps caused by the need to write quickly, to resort to the superficial.

Given the year and time of year, it was touching if incongruous to hear Elgar's first world war choral trilogy *The Spirit of England*, set to Laurence Binyon's words in the concert's second half. For all the outmodedness of Elgar's brand of patriotism, the work contains surprisingly little pomp; its noblesse is of a refined, sensitively muted kind. The BBC Symphony Chorus was full and ardent in sound, while the rich resonance of Judith Howarth's soprano rang out inspiringly.

The previous evening's concert given at the Barbican by the London Symphony Orchestra under André Previn was also rather oddly constructed. It climaxed in an unforgettably refined, boldly spacious account of Beethoven's Violin Concerto by Anne-Sophie Mutter, in which Previn and the orchestra were at one with her extraordinary vision every inch of the way. Before this, they gave the British premiere of the four-movement Symphony for Classical Orchestra written in 1948 by Harold Shapero, born in 1920 and one of that vast legion of nearly-men in American music. His own note for the work, which had been performed only three times before, spoke at length of the influence of Stravinsky, though the language is closer to that of Barber or very early Carter, and there are clear gestural references to Beethoven.

One understands from Previn's own music why he should want to champion this well crafted music, but in the end it all sounded rather samey, a bustling piece of gentle neo-classicism that bustled rather too gently for rather too long. Well played, though.

Theatre/**Sarah Hemming**

Community clashes

It is always heartening to see a theatre bold enough to place new writing – rarely a safe bet – on its main stage. So Bristol Old Vic's decision to mount Catherine Johnson's new play in its main house is admirable. Johnson is a veteran of the theatre's smaller studio space where her work has been characterised by an individual sparkle and sense of humour.

At first glance her new work *Renegades* has the same originality and refreshingly unconventional style. It also has many points in its favour: it is topical, local and ambitious. But dramatically it proves a disappointment. Johnson deals with hefty themes: rising crime, a disintegrating sense of community, questions of how to impose order and the moral validity of individual protest or law enforcement. She explores all this through one small patch of Bristol, a leafy middle-class crescent, where a jolly front of neighbourliness cannot disguise the fact that the community spirit is curdling and car theft and vandalism are on the up. But, and this is what is attractive about the play, rather than plod sombrely through the issues, she approaches them through a comic format, delivering everything with a top spin.

Into the crescent rides Godfrey Best, self-styled cowboy and head of his own private security firm, Renegades. Planting his feet firmly apart and fixing the residents with the glinty stare favoured by Clint Eastwood, he promises to protect them from the nastier elements of society. Soon the vigilante has insinuated his way into the crescent, along with his heavy-handed henchman brother.

Since Godfrey clearly confuses the West country with the Wild West and since the residents of Granby Vale just happen to be rehearsing their annual am-dram production of *Oklahoma*, there are plenty of excuses for corny musical references – and there is something captivatingly daft about the whole scenario. But when two New Age crusties pick an empty house in the crescent for their latest squat, the stage is set for a high-noon showdown between cowboy and crusty – two people who have taken the law into their own hands – and for a fizzing clash of values.

The play's genial comic tone carries it a long way, but not quite far enough. There is too much going on for the play to get to grips with anything properly – and that is leaving aside several sub-plots. Its busy nature means that the characters are limited to stereotypes and even if the fact that they are clichés is intentional, it leaves them a very short rope on which to play.

Even more hampering, though, is the structure. Johnson frequently employs the televisual style of split-focus scenes, cutting back and forth from one conversation to another. This is all very well in setting up a sense of comic confusion and lifelike bustle, but it makes for awkward pauses in the acting. At one point, she has three crucial, climactic dialogues going on at once at different points around the stage, and cuts from one to the other, with the result that actors are left hanging mid-revelation.

They look awkward, the tension is dissipated and the audience's concentration is frustrated. Indeed the cast often look rather uncomfortable in Andrew Hay's curiously muted, rather underpowered production, as if they are not sure where the energy should be directed in the scene.

The play shows that Johnson has a quirky style and grapples with the slippery nature of life in Britain today in a highly original way. But, this time, the result is patchy and unsatisfying as a piece of theatre.

Continues to December 2 at Bristol Old Vic (0117-987 7877).

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

AUCTION
Sothebys Amsterdam Tel: 31-20-5502200
● Old Master Drawings: with works by Jacob Goltzius, Willem van de Velde the Elder, Adam Elsheimer, Jan van Goyen, Govert Flinck, Paulus Potter and others: 2pm; Nov 15
CONCERT
Concertgebouw Tel: 31-20-5730573
● Borodin Quartet: performs works by Prokofiev, Wolf and Schubert; 8.15pm; Nov 16, 18

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203092100/01
● Freiburger Barockorchester: and soprano Ursula Fiedler perform works by Zavateri and Conti; 7.30pm; Nov 15
DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Les Intermittences du Coeur: choreography by Roland Petit on music by Saint-Saëns, Wagner and others. Performed by the ballet of the Deutsche Oper Berlin; 7.30pm; Nov 15
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Orpheus und Eurydike: by Gluck. Conducted by Hartmut Haenchen and performed by the Komische Oper. Soloists include Jochen Kowalski and Yvonne Wiedstruck; 8pm; Nov 17

■ BONN

OPERA & OPERETTA
Oper der Stadt Bonn Tel: 49-228-7281
● Don Giovanni: by Mozart. Conducted by Shuja Okatsu and performed by the Oper der Stadt Bonn. Soloists include Michael Volle, Hasmik Papian, Laurence Dale and Marisa Vitali; 8pm; Nov 16, 24

■ CHICAGO

CONCERT
Orchestra Hall Tel: 1-312-435-6666
● Chicago Symphony Orchestra: with conductor Semyon Bychkov perform "Rendering" by Berio/Schubert and Shostakovich's "Symphony No.11"; 8pm; Nov 16, 17 (1.30pm), 18, 21 (7.30pm)

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711533
● Music Now: in the afternoon Anthony Byrne plays the piano music of John Buckley introduced by the composer. In the evening the National Symphony Orchestra with conductor Colman Pearce performs Buckley's "Maynooth Te Deum" as well as works by Brahms and Sibelius; 1.05pm & 8pm; Nov 17

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Boje Skovhus: accompanied by pianist Helmut Deutsch. The baritone performs songs by R. Schumann, C. Schumann and Schubert; 8pm; Nov 18

■ GLASGOW

CONCERT
Glasgow Royal Concert Hall Tel: 44-141-3326633
● Royal Liverpool Philharmonic Orchestra: with conductor Libor Pešek and clarinettist Vlastimil Mares perform the overture to Berlioz's "Le Corsaire", Mozart's "Clarinet Concerto" and Dvořák's "Symphony No.6"; 7.30pm; Nov 16

■ GOTHENBURG

CONCERT
Göteborgs Konserthus Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Neeme Järvi and bass Anatolij Kotcherga perform Haydn's "Symphony No.95" and Shostakovich's "Symphony No.13"; 7.30pm; Nov 15

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Jannis Kounellis: the Hamburger Kunsthalle has invited Kounellis to create an installation for the museum. At the same time a retrospective of his work will be shown; from Nov 17 to Jan 7

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Bachorchester: with conductor Christian Funke and pianist P. Rösel perform works by Haydn, Beethoven and Mozart; 8pm; Nov 15

■ LONDON

AUCTION
Christies South Kensington Tel: 44-171-5817611
● Modern First Editions and Autograph Letters: Churchill memorabilia and autographs will be included in the sale, as well as a number of first editions by Katherine Mansfield, a turn-of-the-century short story writer from New Zealand; viewings: Nov 15: 9am - 5pm, Nov 16: 9am - 8pm, Nov 17: 9am - 10.30am, auction: 11am; Nov 17
CONCERT
Queen Elizabeth Hall Tel: 44-171-9604242
● Barbara Thompson: with the BBC Singers and the Medici String Quartet. The saxophonist, flutist and composer premieres a commission for BBC Radio 3, based on the early poems of Philip Larkin. It is partnered by a programme of Kurt Weill settings for saxophone and string quartet. Part of the London International Jazz Festival; 7.15pm; Nov 17
EXHIBITION
Serpentine Gallery Tel: 44-171-4026075
● William Turnbull: Bronze Idols and Untitled Paintings: exhibition of paintings as well as sculpture from early in the career of the Scottish artist alongside more recent work; from Nov 15 to Jan 7
OPERA & OPERETTA
London Coliseum Tel: 44-171-8360111
● Il Barbiere di Siviglia: by Rossini. Conducted by Jane Glover and performed by the English National Opera. Soloists include Alan Opie, Jean Rigby (Nov 16, 29), Fiona Janes (Nov 18, 24) and Charles Workman; 7.30pm; Nov 16, 18, 24, 29

■ MARSEILLE

CONCERT
Opéra de Marseille Tel: 33-91 55 00 70
● Radu Lupu: the pianist performs works by Beethoven and Schubert; 8.30pm; Nov 17

■ MUNICH

CONCERT
Philharmonie im Gasteig Tel: 49-89-480980
● Münchner Philharmoniker: with conductor Sergiu Celibidache perform Bruckner's "Te Deum"; 8pm; Nov 15, 17, 19, 20

■ NEW YORK

AUCTION
Sothebys Tel: 1-212-606-7000
● Fall Sale of Contemporary Art: highlights include the Roy Lichtenstein painting "Emeralds", Arshile Gorky's "Scent of Apricots on the Field" as well as two works from the private collection of Mr and Mrs Asher B. Edelman, Jasper Johns's "Winter" and David Smith's "Stainless Network"; 7pm; Nov 15
EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3633
● Robert Frank: Moving Out: a retrospective of this Swiss-born American artist who profoundly influenced photography and filmmaking in both the United States and Europe after the second world war; from Nov 16 to Feb 11

■ PARIS

CONCERT
Maison de Radio France Tel: 33-1 42 30 15 16
● Orchestre Philharmonique de Radio France: with conductor Frédéric Chaslin perform Bellini's "I Puritani" (short version). Soloists include Raphaëlle Farman and Jean-Luc Maurette; 8pm; Nov 16
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Ensemble Orchestral de Paris: with conductor Jean-Jacques Kantorow and pianists Martha Argerich and Alexandre Rabinovitch perform works by Beethoven, Mozart and Rabinovitch; 8.30pm; Nov 15

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Mitsuko Uchida: the pianist performs Schubert's "Sonata in A major" and "Sonata in B-flat major" and Schoenberg's "Suite"; 8.30pm; Nov 15

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Financial Times Business Tonight

Europa • Michael Stürmer

A defence initiative

Chirac's offer to share nuclear strategy with Germany may shift weight towards a common European defence policy

In most cases, bombs are instruments of destruction, not of building. But nuclear weapons are different: they are political weapons, and have been the foundation of alliances and the international order.

The division of the world into two camps in the 28 years that the Berlin wall was standing was structured in the grim shadow of nuclear weapons. The two superpowers, while opposed to each other on a thousand scores, agreed on two essentials. They believed strongly in the notion of progress towards a better future. And they agreed that they wanted to avoid direct confrontation at any cost.

What then are the implications for Europe of Mr Jacques Chirac's recent offer to Germany of *dissuasion concertée* – sharing nuclear strategy without sharing nuclear weapons? The French president's offer might be seen as merely a gesture to limit the reaction from the nuclear tests at Mururoa, in French Polynesia. Or it could be presented as an attempt to repeat in Europe what the US did by extending its nuclear umbrella through the Atlantic alliance: that is create a single security space with a common strategic approach and a unified leadership.

One consequence of Mr Chirac's initiative might be to force the Europeans to be more businesslike in establishing a common foreign and security policy, still stuck on the Maastricht drawing board.

Without such a policy, the weight and responsibility of European nuclear strategy would fall on the shoulders of the nuclear "haves" – France and the UK – and exclude "have-nots" such as Germany. This would undermine any attempts to adopt a common European approach to all matters of strategic importance and could destroy hopes of progress at the forthcoming intergovernmental conference.

It is also possible that the Germans might conclude that *dissuasion concertée* would deliver not a bargain, but a loss of strategic security.

In 1954, a year before Chancellor Adenauer's Germany joined the western strategic club, German rearmament was made conditional on the renunciation of national production and possession of nuclear, biological and chemical weapons. This was both to reassure Germany's neighbours and to lay to rest the Germans' fear of themselves. In 1957, however, a secret agreement was signed by the French, German and Italian defence ministers to study and, perhaps, develop nuclear devices. In his memoirs, Franz Josef Strauss, German defence minister at that time, said the guiding principle of this agreement was to give Germany a measure of control over its own fate.

When General de Gaulle, French leader at the end of the second world war, returned to power in 1958, he recognised western Europe was a single strategic space. But he also realised that control of nuclear weapons is hard to share, or as he put it, *"le nucléaire se partage mal"*. French nuclear weapons were never used in anger, but they helped both to ensure that Washington never ignored French strategic interests and to calm France's misgivings over its past treatment.

A consequence of the initiative might be to force the Europeans to be more businesslike in establishing a common foreign and security policy

It was still remembered in Paris, for example, that in 1919 the US had refused to endorse French hegemony on the European continent. And that in 1940, when France was blitzed, the British evacuated their troops via the beaches of Dunkerque. There were also memories of Yalta, when President Roosevelt seemed ready to cede European dominance to Stalin. Fresher still was the disappointment over Suez in 1956, when the French felt deserted by the US.

The French independent nuclear deterrent was never as independent as it looked. It rested on massive input of US expertise, and was never aimed at replacing the US nuclear umbrella. It guaranteed France strategic reassurance: a place at the arms control table, a role in world affairs not warranted by French economic performance, and some balance against Germany's economic ascendancy. As General Ailleret, President de Gaulle's adviser on nuclear strategy, once remarked, in a political sense, it was not Moscow but Washington that French nuclear weapons were aimed at.

With the cold war over, the role of nuclear weapons has yet to be ascertained. They no longer determine the world's strategic architecture. But they continue to be the grandest attributes of power: possessing them gives entry to an exclusive club, even though nuclear states know they will probably never be used. And they are still the ultimate means of deterrence against nuclear, biological and chemical blackmail and warfare.

In 1990, Germany renewed its renunciation of the production and possession of nuclear, biological and chemical weapons. What could the latest French offer give the Germans that they do not already have through US extended deterrence?

The answer is: very little and very much. Very little, because the residual nuclear potential of Russia needs US balancing power, and French nuclear ambitions have never gone that far. Very much, because there are other scenarios, especially in the Mediterranean and the Middle East, where the views of the US and Europe may differ. In this respect, Adenauer's observation that there is an ocean between the US and Germany, but only a dotted line between Germany and France, still holds true. Nuclear strategy shared among the Europeans would force the US to take into account essential European interests even when they differ from American ones.

Some will be worried that *dissuasion concertée* could encourage the US eventually to shed its European concerns and take the road to nuclear isolationism. But this is unlikely, as long as Europe's strategic importance for the US is understood on Capitol Hill and in the White House. It is through the US alliance that the Europeans receive reassurance. But it is through the European alliance that the US is the world's sole remaining superpower.

For Germany, *dissuasion concertée* would not secure backdoor entry to the nuclear club. It would be a European parallel to the solution found in Nato in 1968, whereby Germany participates in the organisation's nuclear planning group. This still offers the best of two worlds: the innocence of non-nuclear status and participation in the councils of the nuclear "haves".

Thus, Germany's polite response to Mr Chirac was that *dissuasion concertée* is an interesting idea, not for today but perhaps for tomorrow. It will not upset Europe's balance. But it may well shift some weight in the right direction – towards a common European defence policy.

Michael Stürmer is director of Stiftung Wissenschaft und Politik, a German foreign affairs and defence policy institute.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Fragmentation is a strength in drugs market

From Mr Anthony H. Wild.

Sir, Your article "Drug deals set for friendly future" (November 10) mentions "even after the deals done so far, the [pharmaceutical] sector remains extraordinarily fragmented by comparison with other global industries".

This argument is perhaps off the mark insofar as one needs to look closer at the definition of "market". The total pharmaceutical sector contains literally hundreds of markets, each totally separate. One company, for example, could successfully dominate in the oral antibiotic market while still having a small overall share of the sector.

To take a parallel: within, say, the transportation industry there is a multitude of successful companies, but to say that, for example, United Airlines or Volvo Cars has a small share of this total industry is maybe technically correct but misses the point. More relevant is how competitive a company is within its chosen segments or niches of an overall sector.

To be successful in today's fiercely competitive pharmaceutical industry, one needs three things. First, strong positions in the main therapy areas one is in (such as oral antibiotics, or anti-epileptic agents); second, sufficient marketing muscle to maintain or expand these shares; third, the R&D capability to discover and develop new compounds.

In all three senses size is helpful, but can also be exaggerated. An R&D budget of several hundred million dollars is probably needed but the mega companies with their billion-dollar plus budgets have yet to prove that the sheer weight brings innovation, as the somewhat disappointing recent innovation record of some of the largest pharmaceutical companies shows.

Even in terms of marketing muscle, large companies with many products tend to have multiple sales forces to handle them, hence reducing potential economies of scale.

Finally, another argument against sheer size comes from the fact that even very successful drugs rarely sell more than a few hundred million dollars worldwide, with only a handful of \$1bn-plus drugs in existence. Thus, a company with a turnover of \$6bn to \$7bn needs to produce one or more blockbusters every year to maintain reasonable growth rates, a tall order for any R&D lab.

For these reasons, it is quite possible for pharmaceutical companies with "only" 1 to 2 per cent shares of the total pharmaceutical market to survive and prosper providing they are capable of discovering truly innovative new drugs.

Anthony H Wild,
president, North America,
Parke-Davis Inc,
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Morris Plains,
New Jersey 07950, US

Benchmark for hotels

From Mr James Maughan.

Sir, I seriously hope that British hoteliers will ignore the Confederation of British Industry's report and recommendations to shadow France and Germany's costly benchmarks of training and refurbishment ("British hotels 'value for money' ", November 8). Envious of British profitability, the French and German hotels should rather follow British benchmarks.

The CBI fails to grasp what are the value factors in hotels (what customers want and are willing to pay for). Formula 1's domination in the French one-star hotels results from cheap room rates made possible by offering only facilities which customers are prepared to pay for. Higher standards of training and refurbishment are costly and are worthwhile only if customers value them by wanting to pay more.

James Maughan,
MBA programme, Insead,
Boulevard de Constance,
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France

Yugoslav resistance really so effective?

From Mr Robin Pedler.

Sir, Paul Abrahams' well-documented article, "Bitter memories of the resistance" (November 11/12), is convincing, for the countries he covers.

While, however, he ranges from Brittany to the steppes of Russia and to Greece for his material, he omits all mention of the former Yugoslavia.

Throughout the disastrous developments of the past four years in that region, it has repeatedly been stated that Tito's partisans were effective, that they tied down a number of German divisions – some estimates go as high as seven – and that they liberated their country with little outside assistance.

At a moment when governments are actively considering the deployment of 60,000 Nato ground troops in the region, it would be highly relevant to consider whether the received wisdom about the effectiveness of Serb-led partisans is correct or whether it, too, is due for historical revision.

Robin Pedler,
director,
European Centre for Public Affairs,
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Oxford OX1 5NY,
UK

Innovative interpretation of ballet

From Dr Jörg Schimmelpfennig.

Sir, Sarah Wildor was not only a most promising Manon, as Clement Crisp rightly observed ("Manon", November 9), but she also offered a reading of the title role very different from most of the Royal Ballet's other Manons.

Rather than being the *femme fatale* all too willingly employing her sexual charisma she resembled more a girl who only slowly, and very hesitantly, succumbed to the temptations of luxury and riches and only then began playing the game according to the new rules which eventually brought forth her downfall.

Considering the Romantic origins of the narrative and score and the local colour of this ballet, making Manon look like a *femme fatale* seems indeed conclusive. It is not imperative. Though the idea of *femmes fatales* grew particularly strong during the Romantic period it was by no means implied by Romanticism.

On the contrary, if Manon is to be seen as a Romantic ballet, Ms Wildor's interpretation is the more appropriate. She never pretended to be a Giselle, but in the end she still was a girl of the people seduced by some unscrupulous nobleman or aristocrat reflecting one of that period's favourite themes.

It was not only a grand reading, it was an innovative and intelligent reading as well.

Jörg Schimmelpfennig,
Natruper Str. 109,
D 49076 Osnabrück,
Germany

Time to go back to work

From Mr Frank C. Wilson.

Sir, I refer to your article "Shipyard to close after 152 years" (November 3). The statement is made "union controlled investment fund. . .blamed US insurance companies. . .The Americans thought. . .".

Is it now time that Europe took responsibility for its own affairs in business (not to mention Bosnia)? The US is not its competition nor is Japan. None of us is competitive. Airbus blames Boeing subsidies for its high cost rather than facing the real problems. And how often when an industry is in trouble does it seek government aid, like Air France?

The real competition is Mexico, Latin America (Brazil) and Asia. Manufacturing companies cannot compete unless people work and produce a measureable, tangible product. Work weeks approaching 30 hours and 42 weeks per year are not competitive. Europe and America are going to have to go back to work or become the third world countries of the next decade.

Frank C. Wilson,
president,
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Georgia 30503-1213, US

Subscription TV channel good service to the community

From Mr John Gilbert.

Sir, In your editorial "This sporting life" (November 8) you detailed the key points in the debate about the coverage by subscription channel of leading sporting events.

One aspect that was not mentioned is the growth in pubs, clubs and various institutions which now use subscription TV as a prime marketing tool.

Who needs to subscribe to sports TV when viewing the Premier League or other major sports events can form part of a convivial social afternoon or evening spent with friends in the local pub, sports club or hotel?

Indeed, BSkyB, by restricting home based access to the most important sports events, may be providing a useful community service through forcing people out and reviving local life at the pub.

No wonder so many pubs seem to be undergoing refurbishment at the moment!

John Gilbert,
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London SW19 4NQ,
UK

Personal View • Jeffrey E. Garten

Clinton should go further

The president has made a good start with trade policy but he must keep up the pressure

As I left my post as US undersecretary of commerce for international trade last month, I had one concern. The Clinton administration had made an excellent start in reorienting US trade policy. Indeed, trade had become one of President Bill Clinton's most impressive achievements. But in light of mounting pressures on Democrats and Republicans alike to focus on other issues, I feared it would be difficult to sustain the momentum.

The hallmark of the administration's strategy has been relentless pursuit of open markets abroad, coupled with a firm commitment to keep the US market open. In contrast to the Reagan-Bush years, no new trade barriers, "voluntary" or otherwise, have been imposed by the US. As a result, exports are soaring, and millions of jobs are being created.

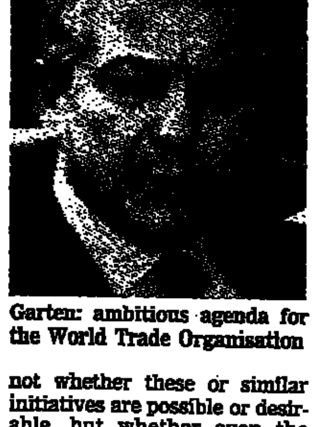
I hope that the next several years will bring more such pressure for non-US markets to be opened and that the administration will build on the base it has laid since 1993. Indeed, I would go even further.

I would push much harder, for example, to expand the North American Free Trade Agreement to the rest of the western hemisphere. I would propose a very ambitious agenda for the World Trade Organisation. This would include aiming to make the WTO ministerial meeting in Singapore next year the most important event for designing the multilateral trading system for the early 21st century.

I would be very careful not to relax market-opening pressure on Japan, on the dubious assumption that a softer stance would help foreign relations, although I would attempt to enlist more international support for US positions. I would be bold when thinking about commercial links between the US and the European Union, in contrast to today's relatively tentative stance. I would redouble efforts to work with Beijing to open the way for China to enter the WTO.

I also believe the administration should reorganise US embassies so that the proportion of commercial staff, now dwarfed by political and military officers, is at least tripled. It should increase the size of its Advocacy Center which helps US companies win large contracts abroad.

I would merge the Export-Import Bank, the Overseas Private Investment Corporation, and other agencies which help to finance US corporations and investors, into one powerful government investment bank. I would establish a centre for monitoring trade agreements, drawing on expertise from both government and industry, so as to ensure the US gives as much attention to making existing trade agreements work as it does to negotiating new ones.



Garten: ambitious agenda for the World Trade Organisation

The big question, however, is not whether these or similar initiatives are possible or desirable, but whether even the present thrust of US trade policy can be aggressively maintained. The omens are worrisome. Some of the president's closest advisers believe trade is a political loser, and want him to focus on other issues. The most vocal Republicans, meanwhile, advocate protectionism cloaked as patriotism. In this vacuum, the president could find himself on the defensive, and on dangerous political terrain unless he makes two simultaneous efforts.

First, Mr Clinton needs deliberately to make trade an important issue in the 1996 presidential campaign. He will not only have to defend his excellent record, but also work hard to portray trade as part of a plan to deal with stagnant wages and growing economic insecurity.

To succeed, he will have to oppose traditional Democratic constituencies, such as organised labour, whose prime trade-related concern is the dislocation caused by imports. He will have to attack radical Republicans, such as Pat Buchanan, the rightwing commentator, whose economic isolationism and fiery rhetoric is, unfortunately, seductive to many Americans.

The president will have to resist the temptation to bash Japan, even though such behaviour can produce votes, because such action breeds cynicism about trade in general. He will have to take on Nafta's critics.

At the same time, the administration will have to resist the tendency in the executive branch of government to tread water, as all administrations normally do in this part of the US political cycle. For an economic team which aspires to – and fully deserves – another term, that would send exactly the wrong signals to US voters, as well as to our trading partners.

I am convinced that the US public is well ahead of Congress in understanding the importance of an aggressive effort by the US to tap world markets. There is a very broad constituency ready to be recruited.

In short, the administration should shed any instincts to be timid about trade. It must go on the offensive – now. Otherwise the revolution in US trade policy which it started could easily fall by the wayside.

The author is dean of the Yale School of Management and a professor of international trade and finance.

COMMENT & ANALYSIS

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Waigel's Emu conditions

What is the recipe for economic and monetary union (Emu)? First, the European Union agrees a treaty on Emu, which contains ambiguous convergence criteria on fiscal policy. Second, the EU's most powerful country seeks to define what these criteria mean. The result: a dish that takes years to bake and will never be digestible by more than a few.

Not long ago Mr Theo Waigel, Germany's finance minister, suggested that Italy and Belgium were unlikely to be included in Emu's first wave. Now he proposes a "stability pact" among the prospective members. Under this, a non-interest-bearing deposit of a quarter of a per cent of gross domestic product would be paid for each percentage point that a country's general government borrowing requirement exceeded the Maastricht treaty's "reference value" of 3 per cent of GDP. Should the deficit exceed 3 per cent for two years, this deposit would metamorphose into a fine.

The broad notion is already contained within the treaty (in article 104c.11, to be exact). Mr Waigel's proposal is merely more specific and more automatic. But this does not make it any less explosive.

If, for example, the UK had been a member of such an Emu since 1991 – when it met the fiscal criteria – it would have made deposits of more than 3 per cent of GDP by the end of this year, of which two thirds would by then be a fine. France, which also met the fiscal criteria in 1991, would have made deposits equal to 2½ per cent of GDP by the end of 1995, half of which would have become fines.

Each-way bet

For the UK, the deposits would have been £22bn, equal to 11p on the basic rate of income tax in one year. Mr Jean Arthuis, the French finance minister, has endorsed the idea of a stability pact. But whether his country would tolerate Mr Waigel's suggestion, or the proposed move to a deficit of 1 per cent of GNP in normal times, is a different matter.

For Mr Waigel, these proposals represent an each-way bet. If they are accepted, he can tell a sceptical German public that he has secured a Euro-currency as stable as their beloved D-Mark. If they are rejected, he can warn Germany's partners that their spirit may be willing, but their flesh is too weak to bear the weight of German rectitude.

Yet Mr Waigel is not just playing political games. He is also explaining why the Germans demand political union. The logic is simple: fiscal discipline is a necessary condition for monetary stability; steep fines are needed to preserve such discipline; only a federal polity could legitimately impose them; thus a federal union is necessary for Emu.

Some false premises

The logic is impeccable. But at least some premises are false.

Fines do not seem a particularly good way to preserve fiscal discipline, since they must make the problem still worse. Insistence on the "no bail-out" clause in the treaty would seem far better.

More important, monetary stability does not require fiscal deficits of any given size. Look at the experience of the UK in the 1990s. Fiscal deficits rose to 8 per cent of GDP and the ratio of public debt to GDP doubled. But inflation fell from 10 per cent to 2 per cent.

It may be argued that fiscal deficits in one member raise interest rates for all the users of a currency. But US fiscal policy has – and will retain – far greater impact on Europe's interest rates than those of the Netherlands, Austria, or even France.

Tight control over fiscal deficits is not just unnecessary, but damaging. Emu must already operate without fiscal transfers in response to regional shocks, without more than minimal flexibility in real wages and without more than modest migration across borders. To this is now to be added the stipulation that members cannot make more than modest variations in their own borrowings.

Mr Waigel's suggestions are a faithful reflection of German opinion. This makes them significant, but all the more worrying. Economically, what he proposes is not necessary. Politically, it appears infeasible. Mr Waigel may believe he is adding footnotes to Maastricht. What seem to be re-emerging, instead, are long-standing German demands for something much more radical.

Croatian peace at gunpoint

To general relief, a third Croatian offensive has been avoided. Thanks to an agreement signed on Sunday, Croatian forces will not sweep into eastern Slavonia this month, driving out the Serb population as they did in western Slavonia in May and in Krajina in August. It is not true, however, that this agreement has averted war between Croatia and Serbia. On the contrary, it could be reached only because Serbia's president, Slobodan Milosevic, made clear to the local Serb leaders there would be no such war: he would not come to their rescue, any more than he rescued their compatriots further west.

That left them no choice but to make the best terms they could, with the help of the UN mediator and the US ambassador. Those terms involve a one- or at most two-year delay before the region passes under full Croatian control. The UN Security Council is to establish a transitional administration which will govern the region during that period, and "authorise" an international force which is supposed to demilitarise it within 30 days. Local Serb militias will thus be disarmed, while the Croatian army will be waiting to move in as soon as the transitional period ends.

Croats driven out of the region in 1991 have the right to come back and reclaim their property, which in many cases is now occupied by Serb refugees from other parts of Croatia. Those Serbs have "the right to live" in the already crowded region, but where is not explained. The agreement would make sense only if Croatia were actively encouraging them to return to their original homes.

Serb flight

Unhappily, the opposite is the case. The vast majority of the Serb population fled before the Croatian army in both western Slavonia and Krajina. That in itself might not be Croatia's fault. Flight is a sane and normal reflex for civilians caught in a war zone. Croatian spokesmen abroad have claimed that those who fled are welcome to come back. But actions on the ground tell a different story. Many abandoned homes were torched, and atrocities were committed against the few, mainly elderly Serbs who refused to leave. Croatia under the rule of President Franjo Tudjman is now as ethnically homogeneous as any of the former Yugoslav republics.

Ethnic cleansing

These acts of "ethnic cleansing", affecting some 200,000 people, have not met with the same worldwide condemnation as the earlier actions by Serbs against Croats, and more especially against Moslems. The US in particular has avoided drawing attention to it, preferring to keep the spotlight firmly on Bosnia. Since Croatia's victories helped redress the balance in Bosnia, their consequences for Serbs in Croatia have been treated as a necessary evil.

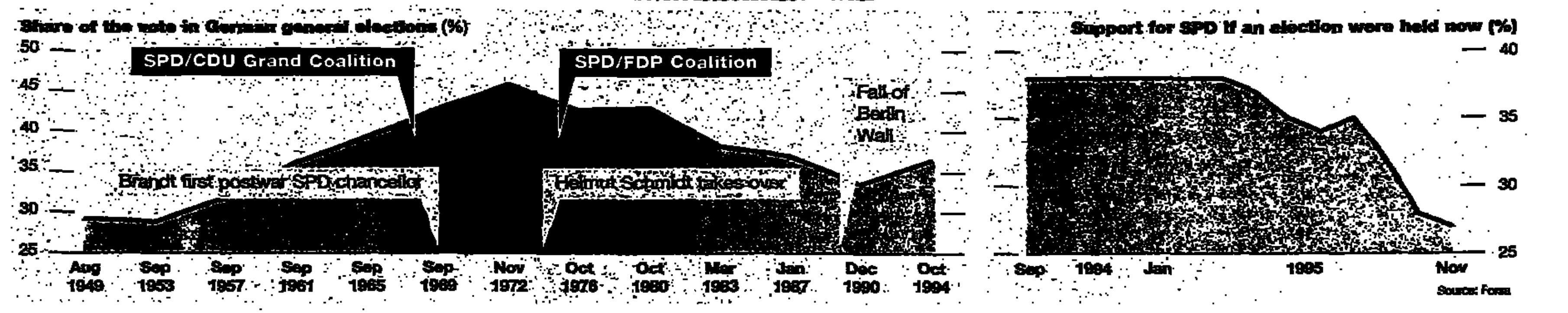
The Serbs in Croatia are perceived as the guilty party, because of the acts committed on their behalf by the Yugoslav army in 1991. But the fact is they found themselves in an independent Croatia without having any say in the matter. The last time that happened, during the second world war, many thousands of them were massacred. President Tudjman made no serious attempt to allay their fears that this might happen again. Instead he adopted the same flag and currency as the wartime fascist state, and named streets after some of its less savoury leaders.

Evidently the world has concluded that it is too late to reverse "ethnic cleansing" in the former Yugoslavia, and that the best hope for peace is now a territorial partition between ethnically homogeneous entities. In Bosnia the ethnic cleansing carried out by all sides (though most by the Serbs) will be treated as a *de facto* exchange of populations, creating a kind of very rough justice.

But in Croatia the process will have been only one way. The Croats will get their homes back, and the Serbs will not. Presumably they will find their way to a poor and overcrowded Serbia, where they may displace other minorities, and where they will certainly keep alive an irredentist grievance against Croatia. Without a more balanced approach from Croatia, the seeds of yet further conflict will have been sown.

Helmut Schmidt (above)
Willy Brandt (right)

Gerhard Schröder (above)
Rudolf Scharping (left)



Crunch time in Mannheim

Germany's Social Democratic party has lost the energy which propelled Willy Brandt and Helmut Schmidt to the top. Peter Norman says it will need to produce some convincing policies at today's congress in Mannheim if it is to recover

Germany's opposition Social Democratic party is in crisis. The SPD party congress, which begins in Mannheim today, will look back on a year of internal feuding and bitterness following Chancellor Helmut Kohl's narrow general election victory of October 1994.

Support for Germany's oldest, and still biggest, political party has fallen to its lowest level since the early 1950s. According to Mr Franz Müntefering, the SPD's new secretary general, the Mannheim meeting "must prove that the SPD has the power to help shape the political agenda and create order in its own ranks". Ms Heidi Simonis, the trenchant SPD prime minister of Schleswig Holstein, has called for a "cleansing thunderstorm with winds of force 10 or 12" in Mannheim to restore peace to the party.

Late last month, its poor showing in elections in Berlin hammered home the dire state of the party. In the postwar years, the SPD dominated politics in West Berlin, and one of the city's governing mayors, Mr Willy Brandt, went on in 1969 to become western Germany's first Social Democrat chancellor.

But with just 23.6 per cent of the vote, the SPD's performance in the Berlin elections was worse than the most pessimistic expectations. National opinion polls have done nothing to lift the party's spirits. The most recent from the Forsa polling group put support for the SPD at about 27 per cent, down badly on the 36.4 per cent of the votes won in last October's election, and far behind the 47 per cent poll ratings now enjoyed by Mr Kohl's Christian Democratic Union and the Christian Social Union, its Bavarian sister party.

It is easy to pin the blame for the SPD's woes on the bickering among the party leadership. Mr Rudolf Scharping, the lacklustre SPD leader, has seen his authority undermined as other leading figures in the party have publicly cast doubt on his ability to mount an effective electoral challenge to Mr Kohl. But the fact that none of his detractors, from Ms Simonis to Mr Gerhard Schröder, the populist and pragmatic prime minister of Lower Saxony, is directly challenging Mr Scharping this week may be taken as a sign that personalities are only part of the SPD's problems.

A dwindling membership, declining support in former urban strongholds and an inability to find new supporters in the former communist eastern Germany show that the party is having real problems coping with far-reaching economic and social change in Germany.

Party membership has been in continual decline for nearly 20 years. While the party grew from 600,000 to more than 1m members between 1954 and 1976, the trend since then has been steadily downwards to 850,000 in 1994.

The party has also been getting older. In 1974, the year that Mr Helmut Schmidt replaced Willy Brandt as the second SPD chancellor, nearly a third of members were younger than 35 years old and 23 per cent were over 60. By last year, only 15 per cent of members were below 35, while the over-60s had risen to 26 per cent. The SPD finds it especially difficult to attract young people between the ages of 16 and 25.

This predominance of the elderly in part reflects an inability to react to changes in the German economy and society. The SPD has failed to attract support in dynamic, fast-growing cities such as Frankfurt where banking and other services dominate the economy. Two decades ago, Frankfurt was an SPD stronghold. Now the CDU is the dominant party.

In a study prepared for the Mannheim meeting, Mr Günter Verheugen, until recently SPD secretary-general, said the SPD's image as the party of social justice was not sufficient for it to win support in regions of fast economic growth. Appealing to yuppies for solidarity with the dispossessed fell on deaf ears "because unemployment in such regions is seen as personal failure and not as a threat to our economic future together".

But the party also has problems in its old industrial strongholds. The decline of traditional industries such as coal and steel, and retrenchment in former growth sectors such as cars and aerospace have meant that there are fewer unionised blue-collar workers to swell SPD ranks.

Mr Verheugen's study suggests these problems have been compounded by a rift between the party's activists and its traditional supporters. Active participation in local politics has become the preserve of those with time on their hands to the exclusion of those in work, who would be able to bring practical experience to party discussions. As a result "there is too much discussion of abstract goals and motives and too little pragmatic discourse" on solving or minimising the problems facing the ordinary voter.

This, according to Mr Franz Walter, a political scientist at Göttingen university, is a legacy of one of the party's past successes. It is dominated by people in their 40s and 50s who joined the SPD in their hundreds of thousands in the 1970s. This age group was politicised by the student activism and demonstrations of 1968 and attracted to the party of Willy Brandt by its then radical policies of expanding social welfare and opening contacts between western Germany and the communist states to the east.

Since losing power in 1982 to Mr Kohl, the party has been unable to redefine its policies with sufficient clarity to convince voters that it can cope with the problems of slow growth, unemployment and the integration of the former communist eastern Germany.

The SPD's overall poor showing in last month's Berlin election cloaked a disastrous performance in the former East Berlin. There it fell to third place behind the CDU and the Party of Democratic Socialism, the successor to the former east German communist party, which emerged as the strongest party in eastern Berlin with 36 per cent of the votes.

In Berlin, the SPD found its vote squeezed on all fronts. It had been in coalition with the CDU and so found it difficult to harness the strong current of protest in the east, which rallied behind the PDS. In the west, pro-administration voters backed the CDU, while voters disgruntled with the administration could turn to the Bündnis 90/Green party.

The practice of joining different coalitions in different German cities and states is proving to be a mixed blessing for the SPD. There are signs that blue-collar supporters have been alienated in cities and states where the party has gone into coalition with rival parties such as the Greens. For many workers in heavy, energy-intensive industries, Green policies to protect the environment are job-killers.

On the other hand, the other parties also have problems, and the SPD is not without advantages. The success of Mr Tony Blair's Labour party in the UK and similar parties in other European countries shows that social democracy is not dead as a vote winner. The SPD provides 10 of Germany's 16 state prime ministers, giving it an important sources of patronage.

The CDU, for all its popularity, also suffers from falling membership. It is not only smaller than the SPD – with 680,000 members – but its age profile is worse: only 5 per cent of CDU members are under 30 and more than 35 per cent are over 60. The Free Democrats can look back on 12 defeats in state elections in two years: a performance, which if sustained in important state elections next year, points to oblivion in the 1998 general election. The Greens, for all their high profile, are much smaller than both big parties with only 46,000 members.

But the SPD must do battle in a highly competitive market-place. As traditional loyalties break down, voters realise that there is very little to choose among the main parties.

Chancellor Kohl's CDU, for example, has a powerful blue-collar faction, whose representative in the cabinet, Mr Norbert Blüm, the labour minister, could often pass for a social democrat. The CSU, although generally regarded as to the right of the CDU, is proud of the words "social" in its title. In last week's budget debate, Mr Theo Waigel, the CSU leader and finance minister, trumpeted as an achievement the rise in German social expenditure to 31 per cent of gross domestic product in 1995 from 29 per cent in 1990.

Then there is the Bündnis 90/Green party, which addresses the concerns of many middle-class SPD voters and has, in Mr Joschka Fischer, the added advantage of a charismatic and effective performer in the Bundestag.

The narrow political spectrum and the internal bickering have made it difficult for the SPD to propagate its policies, although it has successfully raised its profile in the past fortnight by adopting a more sceptical approach than the government to the planned European economic and monetary union.

Amid a lot of anger and frustration, Mr Scharping will have to produce the performance of his life at the Mannheim congress to raise his own fortunes and those of his party. But even if he is successful, it will only be a beginning. The SPD must also develop convincing policies if it is to regain power at a national level.

OBSERVER

Generation game

■ Izzy Asper clearly believes in keeping the kids out of mischief. The Canadian broadcasting mogul's two sons and one daughter all work for CanWest Global Communications, the Winnipeg-based group he controls.

Until last week, it was Asper's eldest son David who was under the spotlight. He spearheaded UK TV, the consortium led by CanWest which bid for the UK's Channel 5 licence. Although UK TV was unsuccessful, David will be staying in Britain to explore other openings for CanWest.

This week, it's Len's turn. He has been put in charge of CanWest's C$636m bid for WIC Western International, one of Canada's biggest TV and radio operators. The deal, if it goes through, would turn CanWest into Canada's third national TV network.

So the next question must be what Izzy has in store for Gail. A lawyer like her brothers, she is general counsel and secretary at CanWest's Winnipeg head office.

Len joked yesterday that, as the second generation in the family firm, "you're supposed to have a cushy job; you're not supposed to work". However, all three appear to be putting in the hours, presumably battling it out to succeed their father in due course. Izzy, 63, has so far given no indication which of his offspring will get the nod.

Whatever must family get-togethers be like?

Safety first

■ An interesting role reversal at Japan's Nikko Securities. Time was when blue-chip US and UK merchant banks seconded their brightest executives to act as advisers to wealthy Middle East institutions, such as the Saudia Arabian Monetary Agency (SAMA).

Now Japan's Nikko Securities has hired Dr Ahmed Abdullah Al Malik, SAMA's former vice-governor, as a senior adviser. Although the sums of Middle Eastern petrodollars are not what they once were, it is a reminder that SAMA has come of age. It is also a reminder, given Al Malik's earlier connections in Saudia Arabia's ministry of defence, that international securities houses like Nikko have woken up to the fact that there is far more at stake in Saudia Arabia than money.

Le Club

■ The French government takes every opportunity to underline its commitment to privatisation. Wouldn't you, if you had been forced to pick up the bill after such huge financial rescue operations as that of state-owned Crédit Lyonnais? Business and politics do not mix, its ministers intone.

So it's interesting to see that Jean Matouk, the socialist-leaning chairman of Marseillaise de Crédit is on his way out. He was put in charge of the regional banking group three years ago and has been cleaning it up ahead of a sell-off.

Even more intriguing is the man named by the ministry of economics to take his place – Pierre Habib-Deloncle. The new man has been a member of the ruling RPR Gaullist party's national council since 1985, and treasurer of president Jacques Chirac's Club of Friends since 1987. It looks as if his stated interest in stamp collecting had little to do with determining his suitability for the job.

Full circle

■ No coincidence that the Nigerians chose the afternoon of the country's big football match with Uzbekistan to execute writer Ken Saro-Wiwa and eight fellow human rights activists. With Lagos even more than usually paralysed by traffic as the 200,000-plus crowd dispersed after the Nigerian victory, politics was the last thing on most minds.

South Africa's ruling ANC, most of the senior members of which spent their formative years promoting sports sanctions against apartheid, have not taken long to cotton on. By cancelling Nigeria's invitation to take part in an international football tournament later this month, they have hit President Sani Abacha right where it hurts. It was not until South Africa's rugby and cricket teams were banished from international competition that most white South Africans realised that the rest of the world was very unhappy with the way they were carrying on. Funny the way history has a way of coming full circle.

By the book?

■ The 37-year-old Russian-born writer Andrei Makine seems to be driving a truck through the French literary establishment with Le Testament Français, an autobiographical account of a boy under the influence of both French and Russian cultures. Having already scooped up the Medicis prize, Makine was yesterday awarded the yet more prestigious Prix Goncourt – the first time in the latter's 92-year-old history that a previously honoured work has made it.

Scaling the heights of French culture has not been an effortless exercise. The publishing establishment refused to take either of his first two novels seriously – suspicious as they were of Makine's extraordinary command of their language. In order to get their attention, Makine had to rewrite the books into Russian – and pass the French versions off as translations.

The Financial Times

50 years ago

Revolt by shareholders

We have on several occasions referred to the unsatisfactory character of certain features in the administration of the Costa Rica Railway. Discontent has for some time been displayed by the shareholders of that unlucky enterprise, but the Directors, instead of seeking to remove it by the natural process of meeting the just demands of their constituents, have embarked on a policy of secrecy. Shareholders can and do put up with a good deal, but they draw the line at a Board of Directors which cannot reply to reasonable inquiries because the chairman is deaf! Consequently, when they could not get information, they withdrew in a body from said meeting. It will no doubt be gathered from our remarks above what martyrs to the shareholders' interests the Directors of the Costa Rica Railway are. Lest the shareholders should fail to appreciate this, the Board winds up its lengthy statement with a wail about the injury done to the Company "by the constant agitation which now attends the administration of its affairs". Why in the name of goodness doesn't the Board seek to settle the matters in dispute in a reasonable spirit?

FINANCIAL TIMES
Tuesday November 14 1995

Investment seeks to compete with Koreans

Taiwan group to build $368m plant in Scotland

By Laura Tyson in Taipei and James Buxton in Edinburgh

Chung Hwa Picture Tube, the Taiwanese company which is the world's largest producer of cathode ray tubes, is expected today to announce a $368m investment to build a plant in Scotland.

The plant will be Chung Hwa's first European investment, and is among the largest of such moves by a Taiwanese company in Europe. It follows big recent investments by rival Korean electronics companies in Europe.

Chung Hwa's plant, which is expected to employ about 3,000, will be a boost to the UK electronics industry. Scotland won the investment against competition from Ireland, France and other UK locations, including Wales and North Tyneside.

The European market for cathode ray tubes, used mainly in computer monitors and televisions, is growing. The tubes have been in short supply since last year because of the growth in the personal computer industry, resulting in higher prices.

The plant will drastically shorten the lead times faced by many European computer manufacturers which import cathode ray tubes by sea from East Asia. It will also help reduce a shortfall in the range of electronic products manufactured in Europe.

Once completed, the new facility in Lanarkshire will lift Chung Hwa's annual capacity to an estimated 30m cathode ray tubes from the 20m it expects to produce this year. The company has plants in Taiwan and Malaysia.

Chung Hwa is 51.1 per cent owned by Tatung, Taiwan's biggest electronics company and among the world's top 10 makers of personal computers. Tatung has a longstanding relationship with Packard Bell, a leading US PC maker, accounting for 25 per cent of group sales.

Tatung plans to become the world's largest monitor maker by doubling capacity to 5m monitors a year by the end of 1996. It benefits from owning Chung Hwa by obtaining a reliable supply of cathode ray tubes at below market prices. Chung Hwa has also been the main contributor to Tatung's profits in recent years as margins have narrowed in its traditional home appliance business and other product lines.

Tatung is already the largest Taiwanese investor in the UK with plants making other products. Chung Hwa's investment is to be announced in Glasgow today by Mr Michael Forsyth, Scottish secretary. An investment zone offering tax and other concessions was set up in Lanarkshire in 1993 following the closure of British Steel's Ravenscraig steelworks at Motherwell.

Shell under pressure as EU toughens stance on Nigeria

By David Lascelles in London and Our Foreign Staff

Shell came under increasing pressure yesterday over a planned $4bn liquefied natural gas (LNG) plant in Nigeria as the European Union prepared to step up sanctions in protest at the hanging of nine minority rights activists.

Protesters in Hamburg erected a mock gallows outside the company's German headquarters, while Shell denied reports that it had delayed a decision on whether to invest in the plant.

An angry Nigerian government said it would recall ambassadors in response to international criticism over last Friday's executions, which included that of the author Mr Ken Saro-Wiwa.

Officials from EU member states and the European Commission will meet today to discuss a sanctions package, including an arms embargo and suspension of aid. The Commission has indicated that earmarked aid worth Ecu235m ($295m) not yet drawn by Nigeria, would be frozen.

International criticism intensified yesterday. Israel condemned the hangings, and South Africa banned a Nigerian team from a four-nation soccer tournament next week and will also consider further measures today. However, Shell denied it had postponed a decision on the LNG project in light of the executions and the public protests they triggered.

The company said the decision was still on the agenda of tomorrow's monthly board meeting of the Nigerian Liquefied Natural Gas company, in which Shell is a 24 per cent shareholder. The meeting could lead to the signing of construction contracts before the end of the year, Shell said.

Although Shell did not make an outright commitment to proceed with the plant yesterday, its public statements continued to stress the benefits of the project for Nigeria. The recall of Nigerian envoys followed similar actions by several countries, including the European Commission and most EU member states.

Mr Idris Kpaki, the Nigerian minister of state for foreign affairs, directed the envoys, especially those in the US, South Africa and EU, to return home immediately. "Nigerian ambassadors have no business remaining in their places of postings," state radio quoted him as saying.

However, the Commission would continue humanitarian aid and might exempt some development projects where aid was being channelled through non-governmental organisations.

"We want a policy that does not penalise the Nigerian people more than is necessary. Any action on aid must be designed to punish the government, not the people," said an official.

Both Spain, which holds the EU presidency, and the commission have indicated they want to see a strengthening of existing sanctions, imposed in June 1993 following a presidential election annulled by the military regime.

More restrictive measures, to be discussed today by member state and commission officials, include extending restrictions on arms sales to a full embargo and toughening visa requirements for civilian members of the government and their families.

EU officials said there was a strong mood among member states for tough action against Nigeria, but this did not extend to an oil or trade embargo. "There does not seem to be a consensus that the EU should go that far," an EU official said.

Shell's UK staff lose out in job cuts ....Page 3
Foreign investors in no hurry to divest ....Section I

Swiss help probe bribe claims over Canadian Airbus deal

By Bernard Simon in Toronto and Michael Skapinker in London

The Royal Canadian Mounted Police have asked the Swiss authorities for help in investigating allegations that bribes were paid during a large sale of Airbus aircraft to Air Canada.

The 1988 contract for the sale of 34 Airbus A320 aircraft, valued at about C$1.8bn ($1.33bn), marked a significant breakthrough for Airbus Industrie, the European manufacturing consortium, in the North American market, which had previously been dominated by US manufacturers.

Airbus yesterday denied the allegations that bribery had been involved in the Air Canada sale. It said: "The selection was made on the merits of the aircraft. We were not involved in any of the things that are being alleged."

Airbus, which is owned by Aerospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain, said unsubstantiated press and television allegations of bribery against it in the Air Canada sale had been made before. They had not been substantiated and had always been denied by the consortium.

The money was allegedly funnelled into Swiss bank accounts. The Swiss federal office for police affairs confirmed yesterday it had received a request for judicial assistance from the Canadian authorities. It said it had passed the request on to the federal public prosecutor's office, which had agreed to help.

Air Canada was a government controlled corporation at the time the Airbus order was placed. The then-Conservative government was the target of intense lobbying by Airbus, as well as by its two US competitors, Boeing and McDonnell Douglas. The Canadian government sold a 45 per cent stake in Air Canada in the same year the Airbus sale was made. The airline was fully privatised in 1989.

Numerous allegations and rumours have surfaced since the deal was completed, but none has been substantiated. DSR, the Swiss TV network, reported last weekend that unnamed Canadian politicians received large commissions from the Airbus deal. According to the report, a front company with a Liechtenstein post office box, received commissions totalling C$20m.

THE LEX COLUMN

Due credit

Investors never really believed that the US government would default on its debt, and yesterday's short-term fix appears to have proved them right. Still, the stand-off between Congress and the White House could undermine the status of US Treasuries as a virtually risk-free benchmark.

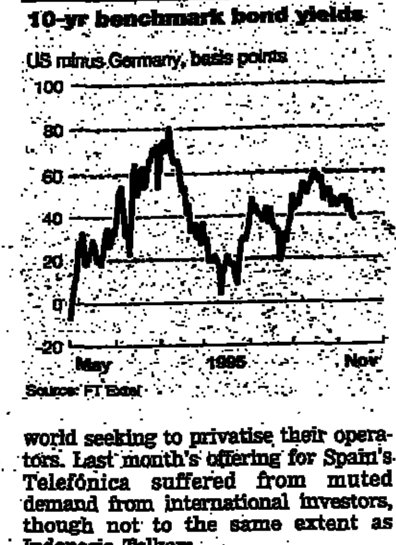
In assessing credit-worthiness, investors have tended to focus on ability to pay. On this basis, the US government is rightly viewed as the world's strongest credit. However, the readiness of both sides to stare into the abyss of default resurrects the issue of willingness to pay. The US constitution, with its checks and balances, may require a greater degree of political risk to be factored in.

To date none of the major rating agencies has downgraded the US. Given its capacity to repay, it would seem bizarre for the US to have a lower credit rating than Norway or Luxembourg. But IBCA, the European credit agency, said yesterday it would downgrade the US if it defaulted, even if normal debt service were quickly resumed.

This is sensible. Government bonds are generally considered better credits than companies in the same country because they are less likely to default. In fact, it is harder for investors to gain legal redress against countries than against companies. Investors tired of the game of bluff may decide that they would rather pick up an extra 40 basis points of yield by buying German bonds, given the German government's better record on inflation, as well as budget-balancing.

FT-SE Eurotrack 200: 1521.9 (-0.4)

10-yr benchmark bond yields



Source: FT Extel

Indonesia Telkom

The epigram for Indonesia Telkom's flotation is likely to be: too many cooks spoil the broth. The share price for Asia's most ambitious privatisation has not only been cut below the initial range; the amount of stock offered has also been scaled back. The net effect is that the Indonesian government will receive only $1.6bn, compared with a $2.8bn target. One reason for the fiasco is that the government employed eight global co-ordinators to market the issue. That meant no bank was in charge; equally no bank now has to take responsibility for the flop.

The poor organisation would not have mattered had there been a healthy appetite for Indonesia Telkom stock. In fact, the issue has had to struggle against two problems. First, there is an oversupply of telecoms equity – with governments across the world seeking to privatise their operators. Last month's offering for Spain's Telefónica suffered from muted demand from international investors, though not to the same extent as Indonesia Telkom.

The second problem is that emerging market offerings have lost their shine. Not only have some prominent issues traded below their issue price but, with developed stock markets, notably the US, still booming, many international investors are staying at home. Slashing the size of the Indonesia Telkom issue should reduce the chance of a poor performance in the secondary market. Even so, it is likely to cast a pall over other emerging market and telecoms issues for some time to come.

South Africa

Johannesburg's days as one of the world's least liquid stock markets are numbered. Last week's deregulation of the exchange – its "Big Bang" – marks another step in the gradual opening up of South Africa's economy to the world.

International securities houses – Deutsche Morgan Grenfell, Merrill Lynch and SBC Warburg among them – have been quick to snap up stakes in the biggest local firms. They have not been paying the kind of prices seen in London in the mid-1980s, but even so they are unlikely to make quick returns. South African brokers have produced strong profits in the past, but margins will come under heavy pressure following the abolition of fixed commissions and the introduction of screen dealing. There is bound to be some fall-out, especially since the new freedom for brokers to deal on their own account offers them the opportunity to lose big sums. Though some will prosper, others may go to the wall.

For securities firms taking a long view, the prospects should be good. The gradual abolition of exchange controls on resident South Africans will lead at first to a fall in share prices, as institutions take advantage of their freedom to invest abroad. But cheaper shares should attract foreign capital. And overseas investors will have plenty of opportunities if the government succeeds in pushing through privatisations and breaking up South Africa's massive conglomerates. Once this process starts, Johannesburg's brokers should be kept busy.

British Steel

Yesterday's record £550m profit from British Steel looks like the high-water mark of the current cycle. Prices of hot rolled coil, one of the principal steel grades, have dropped by nearly 30 per cent since the summer. European demand appears to be weakening and rivals like France's Usinor Sacilor are cutting back production.

British Steel argues this is merely a pause in demand, though it admits current overstocking could take six months to clear. It has so far set its face against reducing output but rather embarrassingly, its stainless steel offshoot Avesta Sheffield has already announced cut-backs of its own. Hopes that the group's low cost base will protect it in a downturn also look optimistic. While British Steel's efficiency compares well with other integrated European producers, it is no match for the mini-mills springing up in Asia and America. Moreover, with US steel prices some 20 per cent below Europe's, an important export market has been more or less closed off.

If profits do start to fall in 1996, this will put pressure on the group's aim to maintain capital spending and build up a cash pile of around £400m to protect the dividend. During the last recession, the group suffered a £700m cash outflow in three years and cut its payout to almost nothing. British Steel is in much better shape now, but this does suggest that the projected 7 per cent yield deserves to be treated with caution. Given the likelihood of more bad news on prices, investors should destock.

Lex comment on BAA, Section II

Japanese PM admits corporate tax brake on recovery

Continued from Page 1

thought to be a factor in the property market's failure to recover.

However, the commission is not scheduled to report on corporation tax until the end of next year, said a finance ministry tax official. The outcome of both reviews was as yet very unclear.

Yet Mr Murayama's remark does, according to officials, reveal a majority on the tax commission favours a cut in corporate tax rates so long as this does not lead to a cut in government revenues.

Japan's rising public budget deficit – swollen by a series of public spending packages and a decline in income tax revenues to nearly 8 per cent of gross domestic product – leads the finance ministry to be even tighter fisted than previously. The budget "is in a grave situation and the scale of the fiscal deficit is considerable," Mr Masayoshi Takemura, the finance minister, reminded coalition partners yesterday.

To balance a corporate tax cut, the commission is considering widening the tax base, by cutting or scrapping some tax exemptions.

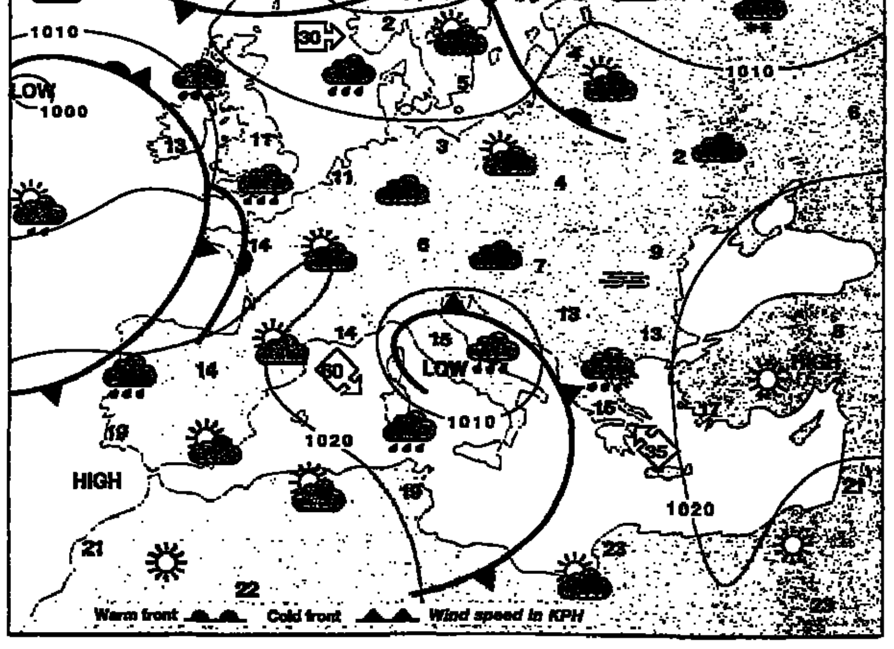
FT WEATHER GUIDE

Europe today

A series of low pressure areas will dominate Europe. An active low will move into northern Scandinavia producing abundant snow over central Norway. Northern Sweden and Finland will have snow. The Norwegian coast will have rain as warmer air arrives from the ocean . Another vigorous low west of Ireland will bring unsettled conditions to the British Isles, France and the Low Countries. A third depression over Italy will bring heavy rain and thunder storms to Italy, Greece and the western Balkan states. Portugal will have rain but eastern Spain will have sunny periods.

Five-day forecast

Cold air from northern Europe will move south across the North Sea into the Low Countries during the next couple of days. Mild and humid air from the Bay of Biscay will try to move into western Europe leading to rain which could be heavy at times. Northern and eastern Europe will be unsettled with snow. Portugal and northern Spain will have occasional heavy rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	15	Caracas	fair	31	Faro	shower	20	Madrid	fair	14	Rangoon	rain	30
	Celsius		Belfast	cloudy	11	Cardiff	drzzl	12	Frankfurt	drzzl	8	Majorca	sun	18	Reykjavik	sun	2
Abu Dhabi	sun	31	Belgrade	cloudy	13	Casablanca	fair	20	Geneva	rain	11	Malta	fair	18	Rio	shower	26
Accra	fair	32	Berlin	cloudy	4	Chicago	fair	2	Gibraltar	fair	19	Manchester	drzzl	11	Rome	shower	17
Algiers	fair	19	Bermuda	shower	26	Cologne	drzzl	10	Glasgow	drzzl	10	Manila	thund	31	S. Frsco	fair	21
Amsterdam	drzzl	11	Bogota	fair	19	Dakar	fair	30	Hamburg	sun	5	Melbourne	cloudy	20	Seoul	sun	8
Athens	fair	19	Bombay	sun	33	Dallas	sun	17	Helsinki	snow	-1	Mexico City	fair	22	Singapore	shower	28
Atlanta	fair	8	Brussels	drzzl	11	Delhi	sun	31	Hong Kong	cloudy	23	Miami	rain	24	Stockholm	sleet	2
B. Aires	fair	23	Budapest	fair	7	Dubai	sun	31	Honolulu	fair	29	Milan	shower	13	Strasbourg	drzzl	9
B.ham	drzzl	11	C.hagen	sun	5	Dublin	rain	12	Istanbul	sun	15	Montreal	snow	2	Sydney	fair	23
Bangkok	thund	31	Cairo	sun	22	Dubrovnik	rain	17	Jakarta	shower	32	Moscow	snow	-1	Tangier	fair	19
Barcelona	sun	17	Cape Town	sun	26	Edinburgh	fair	10	Jersey	rain	13	Munich	cloudy	6	Tel Aviv	sun	22
									Karachi	sun	33	Nairobi	shower	26	Tokyo	rain	18
									Kuwait	sun	26	Naples	rain	16	Toronto	snow	2
									L. Angeles	sun	24	Nassau	rain	29	Vancouver	rain	15
									Las Palmas	fair	25	New York	rain	8	Venice	rain	15
									Lima	fair	22	Nice	fair	18	Vienna	fair	7
									Lisbon	rain	19	Nicosia	sun	21	Warsaw	fair	3
									London	cloudy	11	Oslo	sleet	2	Washington	rain	9
									Lux.bourg	rain	8	Paris	fair	13	Wellington	fair	17
									Lyon	rain	13	Perth	sun	23	Winnipeg	fair	0
									Madeira	fair	22	Prague	cloudy	5	Zurich	drzzl	10

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FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday November 14 1995

IN BRIEF

France launches Pechiney issue

France is launching the privatisation of Pechiney, the aluminium and packaging group, opening the public subscription period from today and setting a capital increase of between FFr3.5bn and FFr4bn ($820m) to accompany the sale. Page 23

Schering downbeat about improvement
Schering, the German pharmaceuticals company, expects little improvement in profits and sales for the final quarter after a sharp fall for the first nine months of this year. Page 23

Highflying
BMW Rolls-Royce, the Anglo-German aeroengine maker, has in just five years become a success in an aeroengine market where there has been almost nothing but bloodletting. Page 23

Gerstner predicts future of computing
The computer industry is on the threshold of a new "network-centric" era in which low-cost desktop and portable terminals will displace powerful personal computers, predicted Mr Lou Gerstner, IBM chairman and chief executive at the Comdex trade show in Las Vegas. Mr Gerstner placed IBM firmly in the "anti-PC" camp. Page 24

Steelmaker shares slump on slow growth
Shares in Nucor, the US steelmaker, have slumped more than a third in the past year. Mr Ken Iverson, chairman, says growth may be slowing, but it is far from over. Page 24

Strike dents Petrobras profits
Petrobras, Brazil's state-controlled petroleum monopoly, saw net profits in the first nine months fall to R$262m (US$275m) from R$1.27bn, after losses of around $700m during a month-long strike by oil workers in May. Page 24

British Steel warns of weakening demand
British Steel yesterday announced that first-half profits more than tripled but warned that international demand for steel was weakening. Page 26

Retailing helps BAA rise 11%
BAA, the airports group, announced first-half pre-tax profits up nearly 11 per cent in spite of the loss of passengers to Channel tunnel rail services and a fall in overseas package holidays. Retailing provided much of the growth. Page 28

BBA sells off subsidiaries
BBA Group, the engineering and industrial products company, further streamlined its industrial division by selling four subsidiaries. Page 28

Renold on a roll
Renold, the chain and gear manufacturer, yesterday reported a big increase in interim profits for the second year in a row. Page 28

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lahmeyer	552	+	7
Falls			
Aachen Mch	925	-	25
Asko Pf	620	-	45
DLW	254	-	16
Holzmann	500	-	17
PWA	168.5	-	10.5
NEW YORK ($)			
Rises			
Avery Dennison	83	+	1½
Intuit	85½	+	2¼
Vigoro	55¼	+	10¾
Falls			
Apple Computer	40⅛	-	1⅛
BIC Global	73¼	-	[illegible]
Toys R Us	23⅞	-	[illegible]
LONDON (Pence)			
Rises			
AMEC	66	+	8
Cns Nchlson	64	+	14
Skelton (M)	183	+	18
Falls			
Bluebird Toys	358	-	16
Calor Grp	278	-	10
Hambros	185	-	10
TORONTO (C$)			
Rises			
Metropolitan	13½	+	1
Terra Inds	18¾	+	1½
Wic Western B	25½	+	2¼
Falls			
ISG Techs	5⅝	-	[illegible]
Pegasus Gold	17⅞	-	[illegible]
Spectrum Sig	12⅞	-	1
PARIS (FFr)			
Rises			
Carrefour	2699	+	34
Docks France	735	+	19
Synthelabo	293.9	+	7.4
Technip	314	+	14.7
Falls			
Promodes	1107	-	21
Unibail	472	-	14.7
TOKYO (Yen)			
Rises			
Nagano	848	+	30
Nissin Sangyo	1650	+	140
Falls			
Chiyoda Corp	879	-	25
Chuo Tst	805	-	55
Makino Milling	850	-	35
Unitika	257	-	17
HONG KONG (HK$)			
Rises			
Pioneer Inds	5.9	+	0.40
SAS Dragon	4.475	+	0.47
Tse Sui Luen	1.71	+	0.11
Falls			
JF Indo	8.1	-	0.55
MC Packaging	2.8	-	0.17
Varitronix	12.6	-	0.65
BANGKOK (Baht)			
Rises			
Advance Agro	74.0	+	8.0
SCF Finance	67.5	+	5.5
Varopakorn	70.0	+	5.0
Falls			
Srongpack	40.0	-	3.25
Sumwood Inds	29.0	-	3.0
Thai CPP	36.0	-	4.0

New York and Toronto prices at 12.30pm.

Indonesia halves PT Telkom equity offer

By Manuela Saragosa in Jakarta and Antonia Sharpe in London

Indonesia's fledgling privatisation programme suffered an embarrassing setback yesterday when the government halved the size of an international equity offering for PT Telkom, its telecommunications company.

Bankers said a lack of demand from foreign investors, particularly the US, was responsible for a decision to scale back the size of the offer to $1.59bn, from an earlier target of $2.5bn-$3.1bn.

The lack of demand for Telkom shares has raised concerns that plans for future international telecoms privatisations, which analysts estimate could total up to £45bn over the next five years, will also have to be scaled back.

The decision to scale back the deal, Asia's largest equity offering, was taken after consultations with the four investment banks involved - Goldman Sachs, Lehman Brothers, Merrill Lynch and SBC Warburg. The banks have come under fire for over-estimating the potential international interest.

Another analyst pointed out that the amount of Telkom stock floated on the local market was more than the total invested in equities by domestic institutions. "The question is why did the government's advisers recommend Telkom take such a risk?," he said.

The Indonesian government cut the size of the international offering to 30m American Depositary Shares (ADS) from 70m ADSs, paper which represents underlying shares. It will now raise only $540m from foreign investors, less than half the planned proceeds. Telkom shares, which start trading in Indonesia, New York and London today, were priced at Rp2,050 each, below the subscription price of Rp2,600. The price of the ADSs - equivalent to 20 ordinary shares - was set at $18 each, below the indicated price range of $19.50 and $24.50.

Telkom's disappointing result will have repercussions on Indonesia's privatisation programme.

The government had been counting on a Telkom success following the disappointing debut of Tambang Timah, the integrated tin mining company which went public in mid-October. Analysts said the government will be under pressure to price companies cheaply in future privatisations. The size of offerings may be affected.

But few believe it will bring the privatisation programme to a halt. Proceeds from privatisations are needed to repay a portion of the country's foreign debt which the World Bank estimates totals about $100bn.

Lex, Page 20; US investors snub offer, Page 24

Saab plummets to SKr322m loss as strong krona bites

By Christopher Brown-Humes in Stockholm

Saab Automobile, the Swedish carmaker managed and half-owned by General Motors of the US, has plunged back into the red nine months after recording its first profit for six years.

The damage was done in the third quarter when the group collapsed to a SKr322m ($48.46m) deficit, a large swing from profits of SKr144m for the third quarter last year. This wiped out the group's profits in the first six months, leaving it with a nine-month loss of SKr127m after a SKr284m surplus a year ago.

The figures follow the announcement of lower operating profits at Volvo's car division last week and underline the tough conditions in the US and European car markets.

They also emphasise the particular difficulties facing Sweden's two car manufacturers after the sharp rise in the krona. Both Volvo and Saab have relied heavily on the weak Swedish currency over the past three years to support their recovery from losses. Saab said the strong krona had dented income in its two main export markets, the US and the UK. It also suffered from the relative strength of the D-Mark because it buys 30 per cent of its materials in Germany, while the market accounts for only 5 per cent of sales.

The group was hit by increased marketing costs and widespread discounting caused by fierce competition. Car sales have fallen nearly 4 per cent in the US this year and risen by only 0.5 per cent in Europe.

The adverse trend comes when Saab, like Volvo, is facing increased product development costs as it works on a replacement for its 9000 model.

On the positive side, retail sales of Saab cars rose 16 per cent to 76,500 in the first nine months. This means 1995 sales should reach a targeted 100,000 cars, helping the broader drive to lift volumes sharply over the next few years.

The company is expecting better fourth-quarter figures, partly because the annual four-week summer shutdown which hit third-quarter results will be absent from the reckoning. "The fourth quarter is typically a stronger period," said Mr Keith Butler-Wheelhouse, Saab chief executive. The group, which made a SKr418m profit in last year's fourth quarter, did not say if the upturn would be enough to produce a full-year profit.

Nine-month operating income fell from SKr704m to SKr313m, despite a rise in sales from SKr13.06bn to SKr14.9bn. In the third quarter, there was an operating loss of SKr165m after profits of SKr290m a year earlier.

The figures will dismay Investor, the Wallenberg holding company which is Saab's other half-owner, and General Motors. They stood by Saab between 1989 and 1993 when it ran up losses of more than SKr11bn before last year's SKr702m profit, keeping the company afloat with capital injections of more than SKr8bn.

Investors will have to rely on a promise of 'one country, two systems'

Shadow of China falls over HK credit rating

Hong Kong's credit rating has never been affected by its connection with Britain, but bankers in the territory *are beginning to wonder* whether it can escape association with China after the handover to mainland rule in 1997.

On the one hand, Hong Kong's economic future is deeply enmeshed with that of China. On the other, some fear that *standards of regulation, business* behaviour and economic management will slip as the colony comes under mainland influence.

"People seem to think that 1997 is not a make-or-break factor," says Mr Rajiv Lall, a senior economist at Morgan Stanley in Hong Kong. "But after, some think there will be a slow deterioration and Hong Kong will become more like a Chinese city."

In particular, there is uncertainty about whether Hong Kong will be able to maintain objective regulation of markets after 1997, or whether personal connections will be paramount, disclosure standards will weaken, and confidentiality will be eroded by the intrusion of a prying state.

The markets are sending conflicting signals about whether the colony can remain different.

The Mass Transit Railway Corporation (MTRC) last month floated a $300m bond in New York at a premium of 113 basis points over US Treasury issues, a rate finer than China could command. By contrast in the local Hong Kong dollar market, the five-year swap premium against US dollars has widened over the past year, indicating that investors see problems ahead.

The greatest of these is the risk *that Hong Kong's currency link* to the US dollar will not survive in the medium term. Nobody expects it to come under pressure in the short term, but says one senior banker: "I've heard more people talking about the whole issue of the Hong Kong dollar than ever before over the last three to four months."

"A five-year bond trades at a premium of 85 basis points over US Treasury issues," says Mr Patrick Thomas, of Oakreed Financial Services, a specialist bond trader. "You have to be absolutely certain that no-one will change the peg over that five-year period for you to buy Hong Kong dollar bonds for US dollars. If Hong Kong had double digit yields, reflecting the real inflation rate rather than single digit yields reflecting the US inflation rate, then there would be international investors. But the five-year Hong Kong yield is two percentage points less than the local inflation rate. It's difficult to develop a broad investor base when you have those funda*mentals in place*."

One reason why the currency peg might come under strain would be if it produced an unsustainable rise in the real exchange rate as Hong Kong's cost base rises. Morgan Stanley's Mr Lall says that Hong Kong has been able to offset this by productivity gains, but its ability to keep on doing may be limited, especially since China has blocked expansion of the container port.

However, bankers say there may be technical reasons for the MTRC's ability to outperform China in *international* markets and for high interest rates on long-term Hong Kong dollars.

The MTRC attracted subscriptions of $1bn to its October issue, partly because it is regarded as an experienced and highly professional borrower. "We are practical proof of how you relate to a ratings agency," says Mr Roger Moss, finance director. He admitted, *however, that "our assigned* ratings are held down by our residence in Hong Kong, and Hong Kong's rating is held down by its presence in China".

But the MTRC went to inordinate lengths to prepare investors and educate the market to appreciate the strong inflation-linked cash flows inherent in its business. Other Hong Kong issues have fared less well, partly because of worries about exposure to the property market.

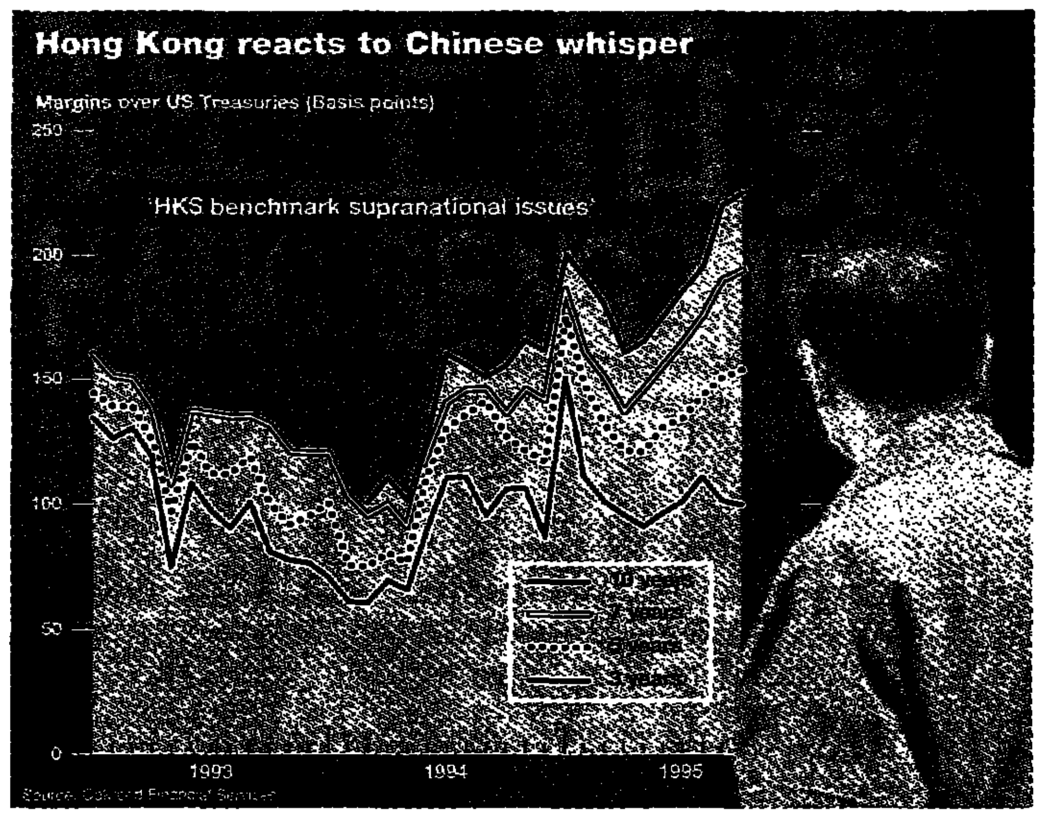
Similarly, some bankers argue that the domestic debt market is distorted by lack of demand from big investors for fixed rate paper. The rate premium over US dollars has less to do with political *risk than with structural lack of* demand, they say.

Even optimists agree that Hong Kong will have to work hard to convince international investors that it is different from China after 1997. A senior US investment banker complains: "China is more affected by politics than anywhere else in Asia. I've never heard anyone say they wouldn't buy an Indonesian credit because of East Timor, whereas we get Tiananmen and Harry Wu thrown at us all the time."

Bankers say the sensitivities of US investors give the rating agencies a particularly important role. But many worry about the agencies' ability to make political judgments, especially after the downgrading of Chinese banks by Moody's this year.

The deciding factor, bankers say, is whether investors believe China can deliver its promise of creating "one country, two systems" after 1997. The financial markets will be an early indicator of whether it is succeeding.

Peter Montagnon and Simon Holberton



Strong demand for Adidas share offer

By Wolfgang Münchau in Frankfurt

Shares in Adidas, the German sports goods maker, are expected to rise sharply when trading begins on Friday after it emerged *yesterday a public offering of* them was over-subscribed by more than 12 times.

The group yesterday set a price of DM68 per share for the initial public offering (IPO). Unofficial trading in Frankfurt yesterday had Adidas shares valued at around *DM76*.

Due to unexpectedly strong demand, Adidas decided last week to increase the original offering from 50.1 to 60.2 per cent of the capital stock. Yesterday's announced price came at the top end of the previously set price range of DM59 to DM68.

Following the IPO, Sogedim, the investment group headed by Mr Robert Louis-Dreyfus, the French businessman and chairman of Adidas, and several other investors, will hold a stake of just under 40 per cent.

In addition to the 60.2 per cent, Adidas may offer a "greenshoe" of a further 9 per cent of the stock. That would bring to just under 70 per cent the amount of the company to be sold to outside investors. At the price of DM68, the total value of IPO would then exceed DM2bn ($1.4bn), one of the largest in German history.

Of the shares, about 70 per cent have gone to investors outside Germany. About 8 per cent have been bought by German retail investors, and the remainder by German institutions. Based on its popularity as a well-known brand name, Adidas decided to include German retail customers as a target group for its IPO.

The over-subscription reflects the popularity of IPOs in Germany. Adidas shares also benefited from the recent surge in the share price of Nike, one of Adidas's competitors.

The price underlines the cautious attitudes taken by Adidas's advisers, when they set a lower price range than expected. Analysts had previously forecast a range of DM65-DM75, with some analysts going as high as DM80.

Mr Adrian Hopkinson, analyst at WestCapital, said he expected a strong demand for the shares in the *short-term. Over the long* term, he said, "Adidas will more reflect the growth character of a Nike than the steadier character of a Reebok."

London exchanges poised to merge

By William Lewis and James Harding in London

Europe's leading commodity and futures exchanges are today expected to announce plans to merge, in a deal establishing a London-wide exchange and bolstering the City's position as a centre for derivatives trading.

The boards of the London Commodity Exchange and the London International Financial Futures Exchange will announce that heads of agreement have been signed, as the final step before completion of a merger.

The tie-up between the two London exchanges means that New York's Coffee, Sugar and Cocoa Exchange has failed in its second attempt in three years to takeover over LCE.

The expected announcement raises important questions about the future of the International Petroleum Exchange, which has been talking with LCE.

All three London exchanges have a joint clearing house and one industry analyst speculated last night that the IPE "would be keen to join the London party".

International fund managers have been putting increasing pressure on the London exchanges to merge, because they say a single exchange would enable trading houses to cut overhead costs, improve liquidity and provide opportunities to develop new financial instruments. The merger will enable Liffe to diversify from its base of financial futures into agricultural and other new contracts. It will also put pressure on Liffe to accelerate its search for new premises to house the expanded exchange.

The LCE first announced that it was in talks to consider "possible alliances" with Liffe after the Financial Times disclosed that it had received an approach from the CSCE in New York.

In recent weeks, the managers of the LCE have concluded that the practicalities of a London merger would be easier to sort out than an alliance with New York.

Japanese contracts, Page 30

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Alcoa to pay $280m for Alumix activities

Alcoa, the world's largest aluminium producer, has agreed to buy the principal operations of Italy's state-owned aluminium company, Alumix, for $280m. The transaction is expected to close by the end of the year. Alcoa said the Alumix acquisition would complement its other operations in Europe. Alcoa will also acquire Alumix's 6 per cent stake in Halco Mining, an international bauxite-mining consortium, as well as two primary aluminium smelters at Portovesme and Fusina, which have a combined capacity of 170,000 metric tonnes per year.

Other Alumix assets included in the transaction are an aluminium rolling mill with annual capacity of 140,000 tonnes, four aluminium extrusion plants, six metal distribution centres in Italy, and sales offices in Germany, France, the UK, and Spain. Alumix has annual sales of about $550m.

Mr Alberto Predieri, Liquidating Commissioner for Enre Participazione e Finanziamento Industria Manufatturiera, the state entity that owns Alumix, said: "The strategic application of Alcoa's financial, technical and marketing resources to Alumix's highly respected core aluminium businesses ... holds significant opportunity and advantage for our employees, customers and the Italian economy."

Laurie Morse

Ferfin cash call 'about L950bn'

Finanziaria (Ferfin), the Italian holding company, said yesterday that its proposed capital increase would raise between L947bn and L959bn (up to $600m) – less than the original maximum of L1,035bn. The amount has been adjusted because of changes in the group's capital structure. A further L95bn to L96bn would be raised if warrants were exercised, the company said.

Ferfin also brought forward the date of the shareholder vote on the controversial proposals, so the rights issue could be launched the following week. The meeting would now take place on December 7 – with December 8 and December 11 as alternative dates if insufficient shares are represented at the first meeting.

The new timetable might allow Mediobanca to delay an offer until after the rights issue. It also meant Ferfin's banking shareholders, some of which were strongly opposed to the planned capital increase, would have to break their traditional mid-December long weekend to vote: December 7 is a holiday in Milan, where the meeting will take place, and December 8 is a national holiday.

Andrew Hill, Milan

Private sale likely for Marseillaise

The French government yesterday gave the clearest indication yet that it would privatise Société Marseillaise de Crédit, the regional banking group, without resorting to a public share offer. Mr Jean Arthuis, the economics and finance minister, announced the beginning of a consultation process to select an investment bank to advise on the sale of Marseillaise de Crédit by a private sale. The news had been widely expected over a number of months, but officials have been focusing on a number of larger partial and full privatisations through share offers, including those of Renault and Pechiney.

Mr Arthuis stressed yesterday that the process of choosing an adviser for the government – drawn from a short list of French and foreign banks – would not prejudge when or under what conditions the privatisation of Marseillaise de Crédit would take place. His statement came after the government announced last week a replacement for Mr Jean Matouk, its chairman for the past three years, who has been involved in its restructuring. Mr Pierre Habib-Deloncle, an activist in the ruling RPR Gaullist party, is to take his place before the privatisation.

Andrew Jack, Paris

France launches privatisation of Pechiney stake

By John Ridding in Paris

EQUITY OFFERING

The French government yesterday announced it was launching the privatisation of Pechiney, the aluminium and packaging group, opening the public subscription period from today and setting a capital increase of FFr3.5bn to FFr4bn ($820m) to accompany the sale.

Mr Jean Arthuis, finance minister, said the capital increase and the proposed regrouping with Pechiney International, the group's quoted packaging arm, would enable the company to strengthen its position as Europe's biggest producer of aluminium and one of its largest packaging concerns.

The government's advisers have indicated a non-binding price range of FFr187 to FFr215 for institutional investors. The range is at the lower end of market expectations, and would bring the state receipts of between FFr5bn and FFr6bn for the sale of its 56 per cent stake.

Market analysts said the terms of the offer reflected the government's concern to maintain momentum in its privatisation programme in the context of testing market conditions.

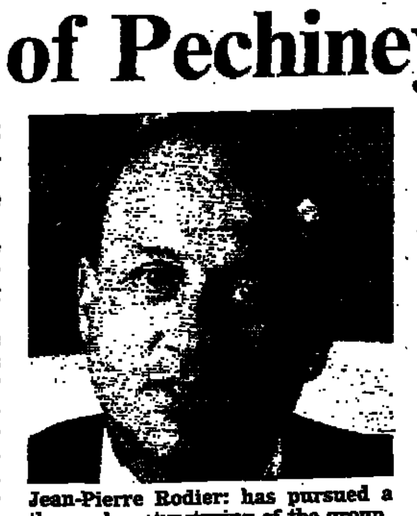
"Pechiney will probably be the last privatisation issue this year, so they are eager to make sure it goes smoothly," said one merchant banker.

But others warned that the operation could prove challenging. "This may not be an easy ride," said one metals industry analyst. The performance of previous French privatisation issues, most of which have seen their share price fall sharply; the weakness of the Paris stock market, which remains about 2 per cent below levels at the beginning of this year; and the weakening of aluminium prices all present difficulties.

From today, the public can make non-binding applications for shares. The price will be set at the end of the pre-marketing period, due some time within the next few weeks, depending on market conditions.

The complex privatisation issue includes an exchange offer for shares in Pechiney International, which is 67 per cent owned by the parent company. Holders of non-voting investment certificates in Pechiney are also being offered shares in the group, losing dividend privileges in return for voting rights. The performance of the investment certificates reflects the downturn in market sentiment. They closed on Friday at FFr255, compared with almost FFr400 earlier this year.

The capital increase is aimed at strengthening the company's balance


Jean-Pierre Rodier: has pursued a thorough restructuring of the group

sheet. Mr Jean-Pierre Rodier has pursued a thorough restructuring since taking over as chairman last year, raising proceeds of about FFr10bn from the sale of non-core assets. However, debts remain at about FFr16bn, roughly the same level as equity.

The restructuring has focused Pechiney on its core businesses of aluminium and packaging and enabled it to return to profit this year. However, the company has faced criticism concerning the way it has accounted for some of its asset sales.

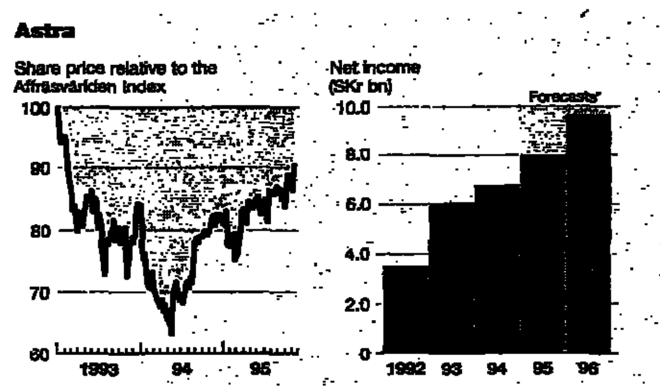
The Commission des Opérations de Bourse (COB), the French financial markets regulator, said that it "regretted" the fact that Pechiney had not taken FFr700m of capital losses incurred from selling two subsidiaries in its first half accounts.

The state will sell 5 per cent of Pechiney's shares to Eléctricité de France. It is the largest French client of the state utility, which has been expanding its strategic investments. In addition to EdF, Pechiney will have BNP and Assurances Générales de France as core shareholders.

Astra to increase spending on R&D

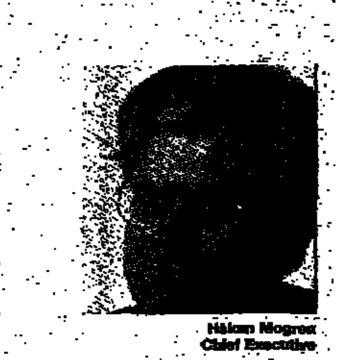
By Clive Cookson, Science Editor

Astra



Source: FT Extel

*ABN Amro


Håkan Mogren: Chief Executive

Astra, the fast-growing Swedish drug company, is increasing spending on research and development by almost 40 per cent this year in an effort to bring its lagging R&D budget into line with its soaring sales.

Mr Hakan Mogren, chief executive, said in London yesterday that Astra had spent about SKr3bn on R&D in 1994. The level would be increased by about SKr600m ($90.3m) a year through the acquisition of Fisons's R&D centres in Loughborough, UK, and Rochester, New York, and a further SKr600m through internal growth.

There has been a corresponding increase in Astra's R&D staff from 3,000 last year to 4,200 now. Mr Mogren said Astra's R&D spending last year was 12 per cent of sales and "we are aiming for 15 per cent of sales".

The extra spending will be spread across Astra's priority areas: gastrointestinal (stomach and guts); cardiovascular (heart and circulation); central nervous system (brain and nerves); respiratory (mainly asthma); and pain control.

Sales themselves are growing at about 30 per cent a year, driven above all by Losec, Astra's best-selling ulcer drug. "We have not been able to keep R&D expenditure growing at the same speed," Mr Mogren said. "It cannot grow faster than 20 per cent a year [internally] because then you lose management grip on it."

The implication is that, for as long as Astra performs so strongly, it will look for more opportunities to buy R&D facilities or invest in research joint ventures with other companies.

The whole senior management was in London yesterday to give investors a review of Astra's R&D pipeline. Analysts liked what they heard, and Astra shares closed SKr2.5 up at SKr248.5 in Stockholm.

"Astra is always a very conservative company, but they are beginning to lift the curtain a little more now," said Mr Peter Laing of Salomon Brothers. "It was interesting that they made a feature of CNS (central nervous system) which I think is going to become an important product area for them."

The company has five CNS drugs in clinical development, including two to treat stroke victims. Mr Claes Wilhelmsson, executive vice-president for R&D, said strokes had a very high priority: "Astra has committed itself to being the first company to make a real difference in strokes."

Astra is investigating several different approaches to keeping brain cells alive after a stroke has interrupted blood supplies to parts of the brain. Several other drug companies, including Upjohn Pharmacia, the recently merged US-Swedish group, are testing similar drugs. Stroke is regarded as one of the greatest unmet medical needs.

In the gastrointestinal area, Astra is becoming enthusiastic about a drug called Mosapride, licensed from Dainippon of Japan last year. Mosapride is in early clinical trials and could become a best-selling partner to Losec; it treats dyspeptic symptoms such as nausea and bloated feelings.

In respiratory research, the company is concentrating on extending the use of its Turbuhaler, a dry powder system for getting steroids and other drugs into the lungs. A licence from the US Food and Drug Administration has been delayed by questions about the evenness of the doses delivered by the Turbuhaler, but Astra executives said yesterday they were confident that approval would come soon.

Latin American growth helps rise at Telefónica

By David White in Madrid

Strong growth in the Latin American telecommunications market helped Spain's Telefónica increase its attributable net profit 15.9 per cent in the first nine months of the year to Pta100.39bn ($823m).

Consolidated turnover was 14.7 per cent up on the same period last year at Pta1,303bn. This figure included an increase of more than 80 per cent in revenue from the group's Latin American arm, Telefónica Internacional (Tisa), which reached Pta210bn.

Pre-tax profits before minority interests showed much stronger growth of 37 per cent at Pta169.47bn. The growth partly reflected a 63 per cent increase in financial income to Pta13.82bn, while financial costs were cut by just under 1 per cent to Pta167.27bn.

The results were in line with or slightly better than market forecasts and continued the trend of the previous two quarters. They followed a disappointing response by international investors to the company's recent $1.3bn privatisation placement, corresponding to a 12 per cent shareholding and reducing the government's stake to just under 20 per cent. The shares rose Pta5 to close at Pta1,590.

At parent company level, net profits rose 15.2 per cent from Pta67.81bn to Pta78.12bn. Net earnings per share were Pta83.15 compared with Pta72.18 in the 1994 period.

Parent company sales increased 6 per cent to Pta1,020.64bn, with almost two-thirds of revenues coming from basic telephone services. But its mobile telephone business expanded 65 per cent to bring revenues of Pta55.71bn, with the number of clients more than doubling during the previous 12 months to 748,000. This growth partly reflected the introduction this summer of a new digital mobile service in competition with a rival company, Airtel.

Income from data transmission services fell almost 13 per cent to Pta30.24bn, largely reflecting price reductions.

The company said a rigorous programme of cost containment contributed to the profit increase, with the increase in personnel costs held to 2 per cent. The workforce stood at 70,000, a reduction of 3.6 per cent over a year earlier.

PT Telkom offer, Page 22

هكذا من الاصل

Schering blames third-period slide on withdrawal of drug

By Judy Dempsey in Berlin

Schering, the German pharmaceuticals company, expects little improvement in profits and sales for the final quarter after a sharp fall in net profits and turnover for the first nine months of this year.

Net profits fell 18 per cent, from DM210m to DM172m ($122m), while sales declined 2 per cent, from *DM3.52bn* to DN3.44bn. Last year net profits reached DM285m on sales of DM4.69bn.

Mr Guiseppe Vita, chairman, yesterday said the poor results stemmed from the one-off DM155m cost of withdrawing from the market Isovist 280, a contrast media product used in X-rays.

He also blamed currency fluctuations caused by the D-Mark's *strength against the* weaker US dollar and yen which cost Schering DM300m in sales. The US market accounts for 17 per cent of Schering's total turnover and nine-month sales there rose 19 per cent over the year-ago period.

Mr Vita added that if there was currency stability next year, with an exchange rate of about DM1.65 or DM1.70 to the US dollar, Schering might be able to recoup some of its losses and post a 10 per cent rise in sales.

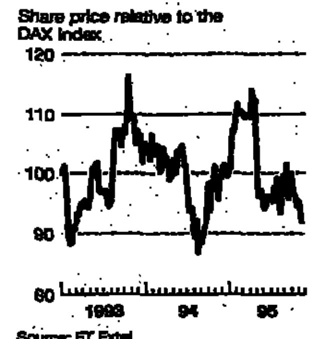
But analysts said the current *sales trends and forecasts* for next year would mean Schering's 1996 results would only match the 1994 results. "These nine-month figures are really disappointing," said Ms Jo Walton, analyst at Lehmann Brothers. "Schering has been accident prone over the past year but maybe there are structural reasons as well. Most of its business areas have performed badly," she added.

In *diagnostics*, sales *fell* 6 per cent, from DM1.2bn to DM1.1bn, largely because of the cost of withdrawing Isovist 280 after physicians reported delayed *side-effects, especially* skin allergies. Mr Vita said its other contrast media products, including Ultravist, could eventually compensate for the suspension of Isovist 280.

In the fertility and hormone therapy division, sales fell 3 per cent, from DM1.06bn to DM1.03bn. Analysts expect a further decline over the next quarter because of the controversy by the British and German *health authorities* concerning possible side-effects of third generation oral contraceptives. In the dermatology division sales fell 5 per cent, *from DM338m* to *DM322m* on because of currency fluctuations and growing competition.

In the therapeutics division, which markets Betaseron, its multiple sclerosis drug, sales increased 9 per cent from DM796m to DM870m. Mr Vita said he was confident that once Betaseron was launched in Europe – possibly by the end of this year – Schering could "aim to achieve world*wide sales [for Betaseron] of* about DM650m for 1996". This year's sales are expected to total DM380m.

But analysts were sceptical about these estimates as Betaseron's US sales were lower than expected and, unlike in the US, Betaseron will face competition in Europe from Biogen, the US biotechnology company, and the treatment's high European price may put off state-run health schemes. Schering shares closed DM0.85 lower at DM95.55.



Source: FT Extel

Argentaria bids for rest of Banco Exterior

By David White in Madrid

Argentaria, the partially state-owned Spanish banking group, yesterday launched a Pta92bn ($755m) bid for the remaining shares in its principal subsidiary, Banco Exterior de España.

Its offer for the 25.6 per cent of Banco Exterior's shares it does not already own was set at Pta3,800 a share – a premium of almost 17 per cent on last Friday's closing price of Pta2,830. The CNMV securities market commission suspended trading in Banco Exterior as soon as the takeover plan was announced.

The cash offer, in which Morgan Stanley has acted as adviser, is aimed at reinforcing the Argentaria group before a further privatisation issue planned for early next year. The government plans to sell up to half of its stake of just over 50 per cent to domestic and international shareholders. Argentaria's shares closed up Pta10 yesterday at Pta4,210. The bank said the offer was not conditional on a minimum acceptance level.

The group said the takeover would have a neutral effect on Argentaria's earnings per share in 1996 and 1997 and a positive impact in 1998. By assuming full control of Banco Exterior it aimed to bolster its position in corporate banking, debt and money markets, investment banking and international activities.

The operation would enable the group to organise its resources more efficiently and achieve economies of scale, producing savings estimated at Pta6bn a year, it said.

Banco Exterior, which had a monopoly in export credit before Spain's entry into the EU, was the centrepiece in the formation of Argentaria in 1991, when it was brought together with other state banking interests.

The group is meanwhile discussing the sale of Banco Exterior's holdings in two other banks, the majority-controlled Banco de Alicante, and its 24 per cent stake in Banco Atlántico, controlled by Arab Banking Corporation.

Kvaerner shrugs off sector malaise with 65% advance

By Hugh Carnegy in Stockholm

Recent problems in the European shipbuilding industry were shrugged off yesterday by Kvaerner, the Norwegian shipbuilding and engineering group, as it reported a 65 per cent rise in profits for the first nine months.

Pre-tax profits rose from *NKr1.17bn* to *NKr1.93bn* ($309m), but were boosted heavily by one-time sale of ships by Kvaerner's shipping operations which contributed NKr563m. Group sales rose 14 per cent to NKr22.1bn.

The shipbuilding division, the biggest in the group, sustained its recent record of strong profitability, increasing pre-tax profits from NKr925m for the period last year to *NKr991m, on sales up from* NKr7.9bn to NKr10.1bn.

Mr Erik Tonseth, Kvaerner's chief executive, said the structure of the company's shipbuilding activities – spread across several European countries including the UK, Finland, Germany and Norway – and its strategy of concentrating on niche markets for high-value, specialist ships, such as chemical carriers and cruise *liners, explained the success.*

"Our profile is very different from the Danish yards," he said.

"Burmeister & Wain is building ships that compete with the Koreans and the Chinese. We only compete to a very limited extent with the Asians."

Erik Tonseth: company structure explained success

Nevertheless, Kvaerner's *order intake fell sharply in the* first nine months, leaving the order reserve down from NKr26.5bn at the end of September last year to NKr21.7bn.

The chief features in Kvaerner's other operations were a NKr70m pre-tax loss in its pulp and paper machinery division, against a NKr203m profit a year ago and in the oil and gas division, the second largest, a swing into pre-tax profit *NKr163m – on sales down from* NKr5.4bn to NKr4.7bn – after a NKr201m loss.

Kvaerner's shares yesterday closed NKr3 up at NKr210.

Anglo-German jet unit thrusts its way to front

BMW Rolls-Royce has bucked the aero-engine market trend, says Michael Lindemann

A visit to BMW Rolls-Royce *tomorrow*, by Prince Charles, heir to the British throne, is the crowning moment after five years of effort at the Anglo-German aero-engine maker.

In that time the joint-venture, which makes engines for large corporate jets and regional aircraft, has become a startling success in an aero-engine market where there has recently been almost nothing but bloodletting.

The achievement involved large amounts of overtime, says Mr Albert Schneider, chief executive. It also meant coming up with some pretty unconventional new procedures to win clients for an engine that had not been made.

To do that, executives carried vital engine parts which had just been developed around the world in their suitcases. "We had to show them that we were actually working on something," Mr Schneider says.

Those pioneer days are almost over. BMW Rolls-Royce engines will power a new generation of corporate jets from Gulfstream and Canadair. Most recently the company locked horns with the rest of the aero-engine industry and won the struggle to supply engines for McDonnell Douglas's MD-95, the successor to the DC-9.

Since DC-9s had only ever been powered by engines from Pratt & Whitney (P&W), the US company that is traditionally Rolls-Royce's fiercest rival, the success was particularly sweet.

Mr Schneider puts the venture's success down to a number of factors including a large dollop of luck because Gulfstream – an old Rolls-Royce client – and Canadair launched their latest corporate jets quicker than expected.

That said, it helped to have two well-known parent companies acknowledged as leading forces in their own industry. Long-term planning proved smooth because neither parent competes with other.

Starting afresh also helped because time did not have to be wasted reshaping existing hierarchies.

And the decision to build a single core engine, which remains the same throughout the different models, is likely to pay off. In 1990 it was "not a conventional" idea, hence some initial resistance from Rolls-Royce, but Mr Schneider is sure it will help cement the company's further success.

He is quick to point out, however, that contracts are not expected to continue flooding in as they have recently. "It can't go on like this every year," he says.

The search for new clients continues unabated. Tupolev, the Russian aircraft maker, is considering a new regional jet for which BMW Rolls-Royce has built the so-called benchmark engine against which all others will be *tested*. Mr Schneider is confident that if the Tupolev 334 ever takes off it will be powered by an engine from the BR 700 family.

Albert Schneider: core engine is vital to venture's success

There are also links with Boeing, the world's largest aircraft maker, which is considering whether or not to build a 100-seater jet. Finally, Mr *Schneider says, there are* "close contacts" with Chinese and Korean companies which are also considering a new regional jet.

Whether this growth is profitable is another matter. Analysts are convinced BMW Rolls-Royce is offering hefty discounts to get a foothold in the market for larger corporate and regional jets, the two segments it has targeted. It remains unclear when the company will get a return on its DM2bn ($1.42bn) investment. Rolls-Royce provided only the engine-making expertise.

The recent deal with McDonnell Douglas swells BMW Rolls-Royce's order book book to about DM2.1bn. Mr Schneider says the three existing con*tracts will result in at least* 1,800 engines, and are enough to ensure the joint-venture breaks even. By about 2005 BMW Rolls-Royce hopes to have repaid BMW its DM2bn.

Other observers point out that if BMW Rolls-Royce is to recover its investment it should be entering the large commercial jet market where demand for engines and spares is much greater – if only because the aircraft fly more often than corporate craft.

The Anglo-German engine makers have no such plans, however, and Mr Schneider claims that prices for corporate jets are higher because the jets are bought in smaller lots. With commercial airlines, he says, entire fleets are sold at a time and the corresponding discounts have to be made.

Winning the McDonnell Douglas deal means Mr Schneider can also afford to be more relaxed about the relationship with MTU, the Munich-based subsidiary of Daimler-Benz whose ambitions to make aero-engines have been left in tatters by BMW Rolls-Royce's success.

Since 1990 there has been speculation that MTU will be folded into BMW Rolls-Royce. Mr Schneider talks of a "sensible arrangement" between the two companies to avoid duplication in the production, for instance, of low-pressure jet engine components. But talks as recently as September have failed to resolve the issue.

The main obstacle is MTU's long-standing alliance with P&W, a *tie-up from which it* has so far been difficult to disengage. However, industry executives say the recent failure to win the McDonnell Douglas contract may help to concentrate minds at the California-based aero-engine maker.

If MTU is released from its US obligations, it could eventually become part of a grander European engine-making consortium, including Snecma, the French group.

The recent success means BMW Rolls-Royce will at least be able to dictate the terms of any deal.

IBM chief stirs debate on PCs

By Louise Kehoe in Las Vegas

The computer industry is on the threshold of a new "network-centric" era in which low-cost desktop and portable terminals will displace powerful personal computers, Mr Lou Gerstner, IBM chairman and chief executive, predicted yesterday.

Mr Gerstner, at the Comdex trade show in Las Vegas, said IBM was developing a "network appliance" that it planned to ship to selected customers in the first quarter of next year.

Adding to the industry-wide debate over the future of the PC, Mr Gerstner placed IBM firmly in the "anti-PC" camp, led by Mr Larry Ellison of Oracle Systems, the leading database management software company, and Mr Scott McNealy of Sun Microsystems, the market leader in workstations and Internet servers. On the "pro-PC" side are Intel, the dominant supplier of microprocessors to the PC industry, and Microsoft, the world's biggest software company.

The shift to network-centric computing would create new winners and losers in the industry, Mr Gerstner said, in a thinly-veiled challenge to Microsoft and Intel. The advent of very high speed communications technologies would change the way computers were used, enabling individuals to take advantage of the power of distant computers, rather than requiring powerful computers on every desk.

The "client-server" or distributed model of computing, on which the industry has been focused for the past 10 years, had fallen short of customers' expectations, Mr Gerstner said, because linking PC clients to servers had been more complex and expensive than expected.

Mr Gerstner said many organisations were waking up to the fact they had put the equivalent of a 1985 mainframe on the desks of every clerical worker , with all the maintenance, back-up and service costs now multiplied by the thousands.

Consumers, Mr Gerstner said, were "beginning to wonder if they were getting full value" from PCs. They were tired of having to upgrade their PCs every year.

Mr Gerstner's remarks do not appear to bode well for IBM's $10bn PC division, which is struggling to be profitable and reverse a decline in market share. However, he stressed that "the network-centric world will not replace the PC world entirely".

US investors snub PT Telkom offer

EQUITY OFFERING

As the international roadshow for PT Telkom, Indonesia's telecoms company, drew to a close last week in London, its chairman Mr Setyanto Santosa, was putting on a brave face as he presented his company to prospective foreign share-holders.

But privately, he was so worried about the disappointing level of orders, particularly from the US, that he telephoned government officials in Jakarta to tell them he feared the international offering would have to be reduced in size.

The government was banking on a successful privatisation of PT Telkom to make up for the disappointing stock market debut of Tambang Timah, the tin-mining company floated in October.

In addition, the privatisation of PT Telkom, which was set to raise between $2.5bn and $3.1bn, was to be Indonesia's and Asia's largest share offer to date and the first attempt to include domestic retail investors in the privatisation programme.

The government had initially planned to sell 70m American depositary shares (ADS), which were each equal to 20 ordinary PT Telkom shares, to investors in Asia, Europe and America, at between $19.50 and $24.50 each. This was on top of the domestic offering of about 1.17bn shares which had been been fully subscribed earlier in the week. In all, 27.5 per cent of PT Telkom's enlarged share capital was up for sale.

Although the investment banks running the deal – Goldman Sachs, Lehman Brothers, Merrill Lynch and SBC Warburg – last week denied rumours the deal would have to be scaled back, they too conceded privately that the government would have to price the shares at the bottom of the indicated price range.

The final result was even worse. By the time the banks sat down with the government at the weekend, it was clear the international offering would have to be radically reduced to ensure the share price did not collapse when it started trading.

The banks were willing to underwrite a deal which comprised 58.4m depositary shares at a price of $18 each. But the government, which did not want to be seen to be selling off state assets at bargain prices, decided to sell only 30m shares at the new lower price. This meant the final offer size was $1.59bn, representing 19 per cent of the company, of which the international offering accounted for $540m.

Although the decision to reduce the size of the offering has resulted in PT Telkom being branded as a flop, the government's pragmatic approach has been applauded. "The government has done the right thing," said one banker.

By contrast, its bankers have been criticised for failing to deliver the international orders they had promised, particularly from the US. US investors have turned away from foreign stocks to concentrate on their own expanding stock market.

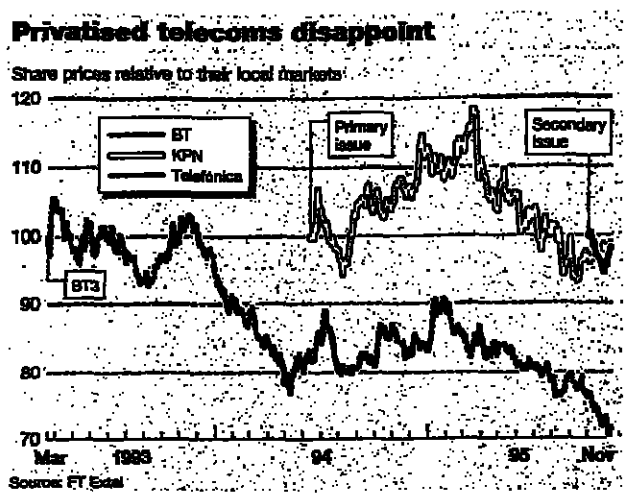
Some bankers said this result should have been anticipated in view of the lack of interest from US investors in other international telecoms privatisations, notably Telefónica in Spain and KPN in the Netherlands, in recent months.

The complex structure of PT Telkom's offering, its size and the lack of leadership among the banks also conspired against a successful conclusion.

It is likely that the Indonesian government will have to scale back its privatisation plans following its experience with PT Telkom.

However, analysts say while PT Telkom has suffered a setback, its investment case is still sound since it is still one of the highest growth stocks in the telecoms sector. "There is not necessarily an association between the quality of the company and the initial market reaction," said one analyst.

Antonia Sharpe



Source: FT Extel

AMERICAS NEWS DIGEST

Moore in proxy battle for Wallace

Moore, the Canadian information services group, has launched a proxy battle for Wallace Computer Services in the hope of winning its three-month struggle to gain control of the Chicago-based group. Wallace has so far rejected Moore's US$1.4bn bid, even though holders of almost 74 per cent of Wallace's shares declared their support for Moore last week. Moore earlier raised its cash offer from $56 to $60 a share.

Moore requires an 80 per cent acceptance to overturn Wallace's "poison pill", which prevents Moore from buying the shares tendered last week. Wallace's management is understood to be confident that some shareholders who indicated support for Moore last week did so for tactical reasons and would hold back in a final vote.

The management is adamant that Wallace, which operates in similar businesses to Moore, would be better off as an independent company.

About one-third of Wallace's shares are now in the hands of arbitrageurs seeking a quick profit. Most of the rest are held by institutional investors. Wallace shares were trading just above $40 before Moore's bid in late July. Moore aims to use the proxies it collects to unseat Wallace's board of directors at its annual meeting, scheduled for December 8. Moore will also seek to reduce the size of Wallace's board and to rescind various board decisions. *Bernard Simon, Toronto*

Berkshire Hathaway growth

The per share book value of Berkshire Hathaway, the insurance and investment group controlled by Mr Warren Buffett, stood at $13,556 at the end of the third quarter. At the start of 1995, it stood at $10,083, and had risen to $12,318 by the end of June. The book value was lifted partly by Walt Disney's agreed $19bn takeover bid for Capital Cities/ABC, in which Berkshire Hathaway holds a 12.9 per cent stake, in the third quarter.

Total shareholders' equity was $16.2bn at the end of September, up 42 per cent from the previous 12 months. At the start of 1995, shareholders' equity was $11.9bn and had risen to $14.7bn by the end of the second quarter. Net income from operations rose 17 per cent from $110m to $129m in the third quarter, and earnings per share from operations rose from $94 to $109.

For the first nine months, net income from operations rose from $352m to $382m. The group said the increase was mainly attributable to good results from the insurance activity, partly offset by declines in the shoe and encyclopedia businesses. Berkshire Hathaway launched a bid for the outstanding minority of the Geico insurance company in August. *Maggie Urry, New York*

Strike hurts Petrobras profits

Petrobras, Brazil's government-controlled petroleum monopoly, said net profits in the first nine months of 1995 fell from R$1.27bn a year earlier to R$262m (US$273m), after losses of about $700m resulting from a month-long strike by oil workers in May. Turnover in the period was R$14.9bn, up from R$13.9bn last year. The company's own activities showed a net loss of R$74m, while subsidiaries generated net profits of R$336m.

Petrobras blamed the poor showing in its core production and refining activities on the oil workers' strike, which brought the company to a near stand-still. Losses were exacerbated by the need to import petroleum products during and after the strike. *Jonathan Wheatley, São Paulo*

CanWest launches bid for WIC

By Bernard Simon in Toronto

CanWest Global Communications, the Canadian broadcasting group, aims to cement a national TV network with a C$636m (US$471m) bid for Vancouver's Western International Communications.

A consortium led by CanWest earlier this month lost a bid for the UK's Channel 5 TV licence. CanWest, which is controlled by Winnipeg's Asper family, also has TV interests in Australia, New Zealand and Chile.

CanWest's interest in WIC centres on two Alberta TV stations. Control of these would give CanWest a presence in all 10 Canadian provinces if a pending application to take over a Quebec TV station is successful.

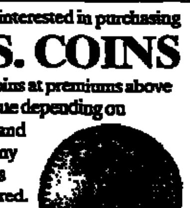
Mr Leonard Asper, CanWest's director of corporate development, said the deal would make CanWest a "vigorous competitor" against Canada's two other national broadcasters, the publicly-owned Canadian Broadcasting Corporation, and CTV, a privately-owned consortium.

WIC is a shareholder in CTV, but CanWest said it was not interested in retaining its shares. WIC owns a total of eight TV and 11 radio stations, mostly in western Canada, and has a stake in several speciality TV and satellite broadcast ventures.

CanWest hopes its bid will resolve a protracted dispute among WIC's biggest shareholders. The family of Mr Frank Griffiths, WIC's founder, owns 62 per cent of Class A voting stock and 4 per cent of Class B non-voting shares. The non-voting stock makes up the bulk of WIC's equity.

The Griffiths' control has been challenged by Edmonton's Allard family, which bought a stake in WIC last year from Mr Griffiths' widow.

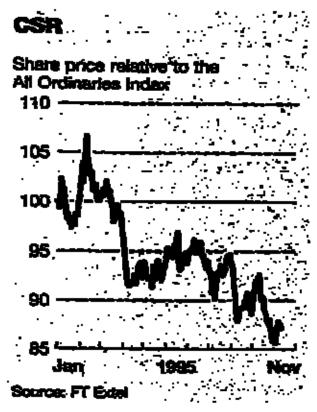
WIC shares have risen sharply in recent months as jockeying for control of the company has intensified.



INTERNATIONAL COMPANIES AND FINANCE

CSR profits slip 14% at midway stage to A$193m

By Nikki Tait in Sydney



CSR, the Australian building materials, aluminium and sugar group, yesterday announced a 14 per cent fall in profit after tax but before abnormal items, to A$193m (US$142m) in the six months to end-December.

But it warned that second-half results would be affected by wet weather in Queensland which has delayed sugar-cane harvesting, and by hurricanes in Florida. As a result full-year profits would not match last year's A$392.6m after tax.

"Continuing weakness in the building and construction materials markets in Australia and lower world sugar prices will also affect our performance for the remainder of the year," added Mr Geoffrey Kells, managing director.

CSR's warning on the construction front were underlined yesterday when Amacon, a Sydney-based building group, was placed under the control of an administrator.

CSR shares fell three cents to A$4.28.

First-half figures were scored on revenues of A$3.31bn, up from A$3.16bn in the first half of 1994-95, but operating profit before tax and abnormals was down from A$408.2m to A$364.3m.

The decline came from the construction and building materials divisions outside North America, which made profits of A$49.1m, against A$80.9m and A$58.9m, down from A$74.5m, respectively as the Australian housing market fell sharply and several large construction projects were delayed.

The sugar business was down from A$87.7m to A$43.8m, with a fierce price war continuing on the refined sugar side and compounded by weather problems on the raw sugar front.

The bright spots were the North American building materials interests which turned in A$116.9m, up from A$92.6m, and the aluminium division, which made A$89.4m, against A$50.2m.

In spite of the profits warning, CSR said it expected to hold the interim dividend at 14 cents a share.

After a A$7.4m abnormal surplus – reflecting proceeds from the sale of a 25 per cent stake in its Asian operations to the Hong Kong-based Kuok group which were offset by Asian-related expenses – CSR's bottom-line profits were down 9 per cent at A$204.1m.

Barlow maintains advance with 42% rise

By Roger Matthews in Johannesburg

Barlow Ltd, the South African industrial conglomerate, maintained its strong first-half performance to report a 42 per cent increase in net attributable profit to R528.1m ($145.29m), from R372.3m, in the full year to September 30.

Mr Warren Clewlow, Barlow chairman, said yesterday that all trading operations had been well positioned to take advantage of the favourable trading conditions during the year. With similar conditions overseas, he forecast another satisfactory performance in the next 12 months "with earnings growth exceeding 25 per cent".

The increase in South Africa's gross domestic fixed investment proved particularly beneficial to the group and turnover from continuing operations rose to R15.85bn, an increase of 32 per cent from the previous year's R11.99bn.

A further improvement in operating margins, through focusing on production and cost control efficiencies and plant rationalisation, contributed to a 48 per cent rise in operating profit to R943.2m from R636.3m.

Earnings per share, excluding exceptional items of 4.3 cents, rose to 259.7 cents, an increase of 52 per cent over last year.

The final dividend is 58 cents a share which, with the half-year 26 cents, gave a total of 84 cents, an increase of 50 per cent on the full year.

Koor raises almost $120m in successful IPO

By Julian Ozanne in Jerusalem

Koor Industries, Israel's largest and most profitable industrial conglomerate, said yesterday it had successfully completed and priced an international public offering in New York which was heavily over subscribed.

The success of the issue, the first Israeli global offering with a dedicated European tranche, came in spite of the recent assassination of Prime Minister Yitzhak Rabin and should provide a boost to other Israeli companies seeking to raise finance on the international capital markets.

Koor said they had raised almost US$120m, slightly below the $130m-$140m target, from the offering of nearly 7m American depositary receipts. The issue was priced at the start of New York trading at $17.25m per ADR.

Each ADR represents 20 per cent of the underlying share value. Yesterday's New York opening price reflected Koor's Tel Aviv share price which yesterday closed at Shk360.07, or $86.40. Orders exceeded $350m, making the offer oversubscribed almost three times.

Koor said the proceeds from its global offering will be used for investment in the company's core businesses and for the repayment of debt.

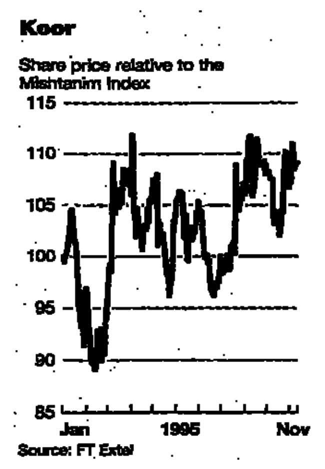
In an interview Mr Benny Gaon, Koor president and chief executive, said the success of the offering marked the strong international confidence in the company and in Israel's economy in spite of the assassination of Mr Rabin.

"We have made a tremendous breakthrough with this successful offer," he said. "It is a sign of investor confidence in Koor, in the Arab-Israeli peace process which is now irreversible and generally in Israel and its economy."

In a surprise move Koor substantially reduced a tranche of shares allocated to Israeli institutional investors in the face of strong demand in the US and Europe.

The move was made in spite of the Israeli tranche being three times over subscribed and reflected irritation in the company that investors in Koor on the Tel Aviv Stock Exchange had driven the local share price down 18 per cent since the offering was announced in September.

Benny Gaon: offering marks international confidence



Smith Barney led the global offering and the European tranche of 40 per cent of the shares was led by Union Bank of Switzerland. "It's gone very well," said Mr David Dwek of UBS. "The books were well over subscribed and there was good demand, particularly from the UK and from Switzerland."

According to a recent valuation by Lehman Brothers yesterday's share price suggests the company is trading at a 24 per cent discount to net asset value per share and a price/earnings ratio of eight.

Koor has interests in electronics, telecommunications, chemicals, cement and tourism. The company has been in the throes of transformation recently, turning itself into a multinational concern and forging strategic partnerships with international companies.

Results for the first half to June 1995 showed a 16.2 per cent increase in sales from Shk4.3bn last time to almost Shk5bn ($1.65bn). Net income rose 16 per cent to Shk300m.

Lehman Brothers have forecast revenues will grow by 19 per cent in 1995 and 14 per cent in 1996. Exports are expected to account for 35-40 per cent of total sales. Net profits are forecast to increase from Shk377m in 1994 to Shk435m in 1995 and to Shk500m in 1996.

Thai plant purchase hit by power price wrangle

By Ted Bardacke in Bangkok

The purchase of a second power plant by Electricity Generating Company (Egco), Thailand's only publicly-listed power generator, is no longer expected to be completed by the end of this year.

Political wrangling over electricity prices has delayed the company's plan to raise about Bt21bn ($835m) through a new share offering, bond issues and bank loans.

The delay is likely to hurt 1996 earnings, analysts said. They are also concerned that Egco's 20 per cent internal rate of return on its first plant may be lowered for the second plant.

In July the company said it planned to issue about Bt6bn in new shares and take on Bt15bn in new debt to finance the purchase of an 824MW power plant.

The Bt20bn purchase from the state-owned Electricity Generating Authority of Thailand (Egat) was expected to be finalised by the end of this year, with the plant due to contribute revenue for all of 1996.

But the recent complaint from Mr Banharn Silpa-archa, Thai prime minister, that electricity prices were too high has prompted Egat, which has a near monopoly on electricity purchasing in Thailand, to ask electricity suppliers to consider lowering rates.

The government will not approve the sale of the Khanom plant, nor is Egco, which is 48 per cent owned by Egat, able to proceed with the planned purchase, until the rates issue is settled.

"Until we know what rates to expect, we can't conclude the main power purchase agreement with Egat. And without that agreement we can't do the share offering which then allows us to arrange the debt portion," said Egco.

Mr Banharn and Egat have been at odds since the new government sacked the company's board. Mr Banharn later reversed his decision but has still sought to curb Egat's jealously-guarded autonomy.

Egco would not comment on the impact the delay would have on 1996 earnings.

Separately the company reported healthy third-quarter net profit of Bt118m, compared with a Bt4m loss during the same period last year.

Quarter-on-quarter profit fell 52 per cent and 67 per cent respectively from the first two quarters of this year, due to foreign exchange fluctuations and scheduled maintenance charges.

The company's nine-month net profit of Bt725m is more than 75 per cent of the company's own full-year profit forecast of around Bt925m.

Pakistan food sector to receive boost from merger

Unilever Pakistan – a company to be formed by the merger of Lever Brothers Pakistan and Brooke Bond Pakistan, plans to invest up to Rs1bn ($29m) in the country's food sector.

The merger of the two companies, which are both controlled by the Anglo-Dutch Unilever conglomerate, would create Pakistan's largest company in the food sector, company officials say. The deal is due to be completed by the end of this year.

Lever Brothers sells personal products such as soap and shampoo, edible oil and tea while Brooke Bond sells tea, spices and other food items.

"Pakistan's people have a record of being pretty 'savvy' consumers," says Mr Anthony Crouch, the company's commercial director.

He described the investment plans as "a vote of confidence in Pakistan's basic economy", adding that projections for GDP growth suggest that an increasing number of consumers would be looking for the company's products during the coming years.

But the merger also reflects the need to halt the decline in profits and give the company a stronger presence in the domestic market, local analysts says.

During calendar year 1994, Lever Brothers' after-tax profits fell to Rs225m, down from Rs472m a year earlier. The company estimates that the newly-created Unilever Pakistan, with a paid-up capital of Rs621m, would save up to Rs100m a year in overheads, management, financial and research costs.

Smuggling is another problem the new company will have to contend with. Tea sales have been hit by the smugglers who avoid up to 72.5 per cent duties on imported tea, which companies, such as Lever and Brooke Bond, have to pay.

A total of 120,000 tonnes of tea is sold annually across the country but the sale of packet tea has dropped by more than 15 per cent during the past three to four years, largely because the sale of smuggled loose Kenyan tea has grown substantially.

Mr Crouch says "the merger will help us to defend ourselves in the tea market".

Part of the fall in profits during 1994 also resulted from a drop in sales of personal products because of competition from smugglers.

Mr Crouch is encouraged by the growth of Pakistan's narrow middle-class base with its "propensity to snack and spend". Almost half of the Rs1bn planned investment is expected to go towards the ice cream business where Lever Brothers has already invested almost Rs700m in a manufacturing plant, cabinets and trucks. Some eight months ago Unilever launched Pakistan's new Walls ice-cream line.

The company is also looking at plans to begin processing of tomatoes, an area where Unilever is already one of the world's leading processors. "Our initial investigations show that there is a large urban market for ketchup here", says Mr Crouch. It is also considering processing vegetables, and at a later stage poultry and meat products.

Many local analysts say expansion into the processed food sector may present opportunities for export to the lucrative middle-east market. In addition some of the food items, such as vegetables and meat products, would clearly give it an edge on smugglers who are unlikely to able to compete in such areas.

Mr Crouch is convinced the merger has accelerated the company's push into the food market. "A company needs a critical mass before it can expand. The merger will give us that critical mass."

Farhan Bokhari

Hutchison Whampoa to buy Li phone business

Richard Li, younger son of Hong Kong tycoon Li Ka-shing, is selling his one-year-old Asian satellite phone business to Hutchison Whampoa, which is chaired by his father, Reuter reports from Hong Kong.

Hutchison said it was buying the Corporate Access satellite communications system from Richard Li's Pacific Century Group for US$74.5m.

Mr Arnie Tucker, executive vice-president of Pacific Century Group, said the junior Mr Li decided to sell the business as he would eventually have competed with Hutchison if he expanded. Mr Richard Li is deputy chairman of Hutchison.

"In order to expand Pacific Century Corporate Access in any significant way it would have to get into the paging and cellular businesses in Asia," Mr Tucker said. "It would basically put Pacific Century Group in a competitive position with Hutchison."

The unit, Pacific Century Technology Investments, provides satellite telecommunications equipment and services using very small aperture terminal technology marketed under the Pacific Century Corporate Access brand name.

Its selling point is that it links companies via satellite with their branches throughout Asia where telephone lines are often not available.

Group warns weaker international demand may hit future orders

Price rises help British Steel

By Tim Burt

British Steel yesterday announced a near threefold increase in first-half profits but warned international demand for steel was weakening and could hit future orders.

Although increased steel prices pushed interim pre-tax profits up from £159m to £550m, the company said over-stocking by international customers would probably lead to a fall in deliveries inthe second half deliveries.

Mr Brian Moffat, chairman and chief executive, said the profits - achieved on sales of £2.99bn (£2.2bn) - were the best half year results ever recorded by British Steel.

The turnaround follows a big cost cutting and investment programme since the nadir of 1993, when full year losses reached £149m.

Mr Moffat admitted, however, that trading conditions had deteriorated since the summer. "The last quarter has seen an easing in demand due *to over-stocking in customers'* supply chains and, as a result, a number of European producers have recently announced a cutback in production."

British Steel said it would *offset softening demand in* Europe by exploiting "market opportunities" in North America and the Pacific Rim. It vowed to continue a programme that has reduced fixed costs by £250m over the past three years with measures aimed at saving a further £100m a year. "There are no plant closures on the horizon. *But if holes developed in our* order book we would regulate production," Mr Moffat said.

Output rose in the first six months following acquisitions and the consolidation of UES *Holdings, the former* engineering steels joint venture with GKN. Mr Moffat said contributions from UES - renamed British Steel Engineering Steels - had exceeded expectations, as had Avesta Sheffield, its stainless-steel subsidiary.

The integration of UES and other recently acquired businesses helped push the British *Steel workforce up from* 39,600 to 54,700 in the past year.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BAA	6 mths to Sept 30	698	(660)	294	(265)	21.5	(19.2)	4.125	Jan 23	3.75	-	10.125
Bakyrchik Gold ☆	6 mths to Sept 30	0.627	(-)	8.88L	(0.726L)	35.2L	(4.6L)	-	-	-	-	-
British Steel	6 mths to Sept 30	2,935	(2,197)	550	(159)	19.26	(6.49)	3	Jan 15	2	-	7.5
Carr's Milling	Yr to Sept 2	85.8	(90.6)	3.03	(1.55)	29.1	(14)	6.5	Jan 26	5	8.5	6.2
Cranswick	6 mths to Sept 30	66.5	(56.2)	1.46	(1.31)	7.2	(6.1)	2.8	Feb 2	2.45	-	8.65
Critchley	6 mths to Sept 30	20	(17.2)	2.95	(2.35)	14.5	(12.3)	3.5	Jan 25	3	-	9.25
London Industrial	6 mths to Sept 30	6.4	(4.39)	1.79	(0.905)	9.2	(8.6)	4	Feb 1	3	-	10
Renold	6 mths to Sept 30	87.3	(70.9)	8.1	(4.6)	9.6	(5.5)	2.5🟊	Jan 26	1.2	-	4.5
Rexmore	6 mths to Sept 30	15.1	(15.3)	0.537♠	(0.838)	2.56	(4.07)	1.3	Jan 19	1.3	-	3.4
Sidlaw	Yr to Sept 30	283.2	(289.4)	0.112L♠	(14.7)	1.7L†	(20.2)	6.5†	Feb 2	6.5	11	11
Smith (James) Ests	6 mths to Sept 24	2.12	(1.65)	1.51	(1.34)	4.6	(4.1)	1.87	Jan 16	1.7	-	5.1
Trinity Care	6 mths to Sept 30	2.88	(2)	0.221	(0.305)	6.9	(14.8)	1.5	Dec 14	1.5	-	-
Utility Cable	Yr to Aug 31	79.5	(54.5)	5.04	(4.19)	2.41	(1.84)	0.39	Feb 15	0.323	0.84	0.323
Versailles ɸ	6 mths to Aug 31	31.3	(21.5)	1.3♠	(0.963)	0.357	(-)	-	-	-	-	-
Wardle Storeys	Yr to Aug 31	94.9	(79.6)	7.16	(8.2♥)	18.8	(23.8)	12.25	Jan 4	12.25	17.25	17.25

Investment Trusts	NAV (p)	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Johnson Fry Utilities	-	-	-	1.78‡	Jan 15	1.72	-	7.66
Schroder Split	-	-	-	1.9‡‡	Dec 29	1.8	-	7.5

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ☆US currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ɸAim stock. 🟊Foreign income dividend. ‡First interim. ‡‡Third interim; makes 5.7p to date.

Job losses as Trafalgar revamps Davy

By David Wighton

Trafalgar House, the lossmaking engineering and construction conglomerate, yesterday said 450 jobs would be lost as the result of a restructuring of the UK operations of Davy International, its metals engineering subsidiary. Further job cuts are likely at Davy's operations in the US and France.

The bulk of the losses in the UK will fall on Poole in Dorset where Davy's office will be closed. Of the 430 staff at Poole, about 200 will be offered jobs at Davy's facility in Sheffield.

The move forms part of another round of restructuring which the troubled group will announce with its annual figures next month.

Three weeks ago, Mr Nigel Rich, Trafalgar's chief executive, warned of escalating operating losses and substantial provisions, mainly in metals engineering.

This prompted analysts to predict total losses of up to £200m for the year to September.

Trafalgar said operating losses in its second half would be "considerably greater" than the £14.9m it lost in the six months to March. It indicated there had been a further deterioration at Davy International, which lost £11m in the first half.

Davy International, which designs and supplies equipment for steelmakers and other metal processors, joined the group as part of the ill-fated acquisition of Davy Corporation in 1991.

Whereas most of the rest of Davy was integrated into Trafalgar House, Davy International was left largely independent. Analysts said this may explain why it took Trafalgar House so long to tackle its cost base.

Davy International is the only significant UK-based supplier of metals processing equipment and Trafalgar believes it has been losing competitiveness compared with its continental, US and Japanese rivals.

With operations in 22 countries, Davy International has 4,000 employees worldwide, of which 1,250 are in the UK.

The shares slipped ¼p to 23½p, compared with the year's high of 78p.

LEX COMMENT

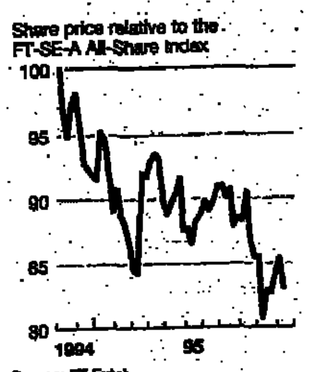
BAA

BAA's share price has underperformed the market over the last year, and yesterday's strong set of interim results did nothing to reverse the trend. Some adjustment in the company's previous extravagant rating was probably inevitable. But investors should start to ask whether the fall has gone too far. Except for a slight Gulf War hiccup, BAA's growth record since privatisation has been consistently impressive. Yesterday's results suggest this will be sustained. Despite competition from Eurotunnel and a bad summer for charter flights, the company is still expecting growth of 5-6 per cent in passenger numbers this year. And net retail income per passenger is still growing, by a comfortable 3.4 per cent against last year. There is no sign that the company's ability to increase profits at about 10 per cent a year has been checked. As an investment, BAA has its attractions. It offers a way into the strong growth of the airline sector, without the volatility which price wars bring. And it has the security of a utility but low regulatory risks. The company does face a regulatory review next year, but since UK landing charges are among the lowest in the world the outcome of this is unlikely to be severe. In any case, less than a third of the business is subject to price regulation.

The shares are still trading at a price/earnings premium to the market, but this has shrunk to about 10 per cent. Given the security of the company's UK business, not to mention its long-term prospects overseas, this looks cheap.

BAA

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

BBA raises £19m through disposals

By Tim Burt

BBA Group, the engineering and industrial products company, yesterday further streamlined its industrial division by selling four subsidiaries for a total of £19m ($30m).

The company declined to break down the disposal value of the *latest businesses to* be sold – three in the US and one in Britain – but said they had combined sales last year of £53m.

BBA, which has raised £325m from disposals in the past two years, said the sale of the non-core companies would enable it to concentrate on developing Reemay and Fiberweb, its fab*ric softeners, filtration and* non-woven fibres businesses.

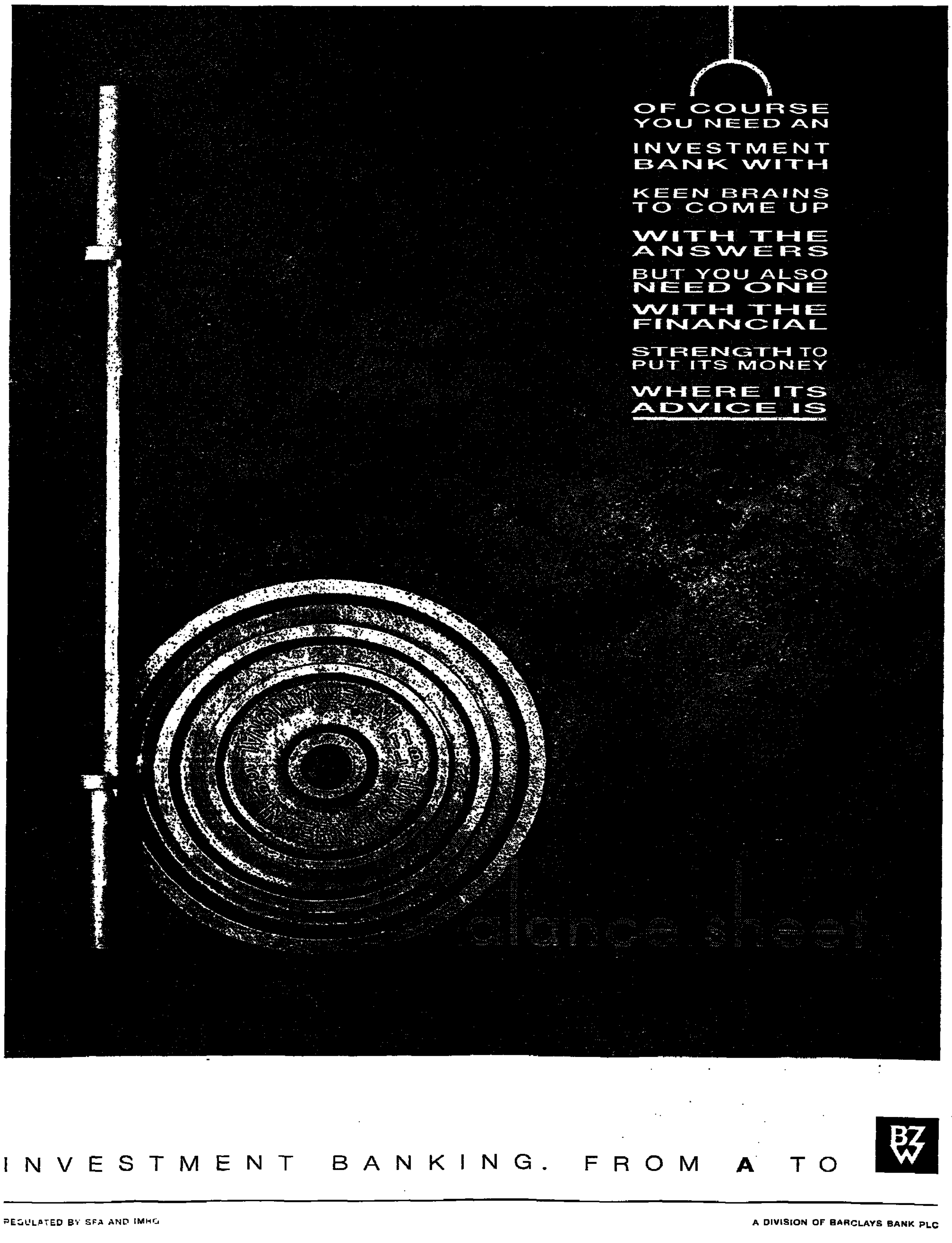
Highams has been sold to Holdings Group, the Lancashire-based management company. RM Engineered Products and Southern Industrial Products of the US have both been sold to Andlinger, the New York investment group, while Fairprene has been acquired by Longwood Industries of New Jersey.

The proceeds will be used to reduce gearing below the 22 *per cent interim level.*

CORRECTION

William Cook

William Cook, the Sheffield-based steel castings manufacturer, made pre-tax profits of £3.56m (£3.54m) for the six *months to September 30. The* figure of £2.38m (£2.37m), printed on November 11, was after tax.



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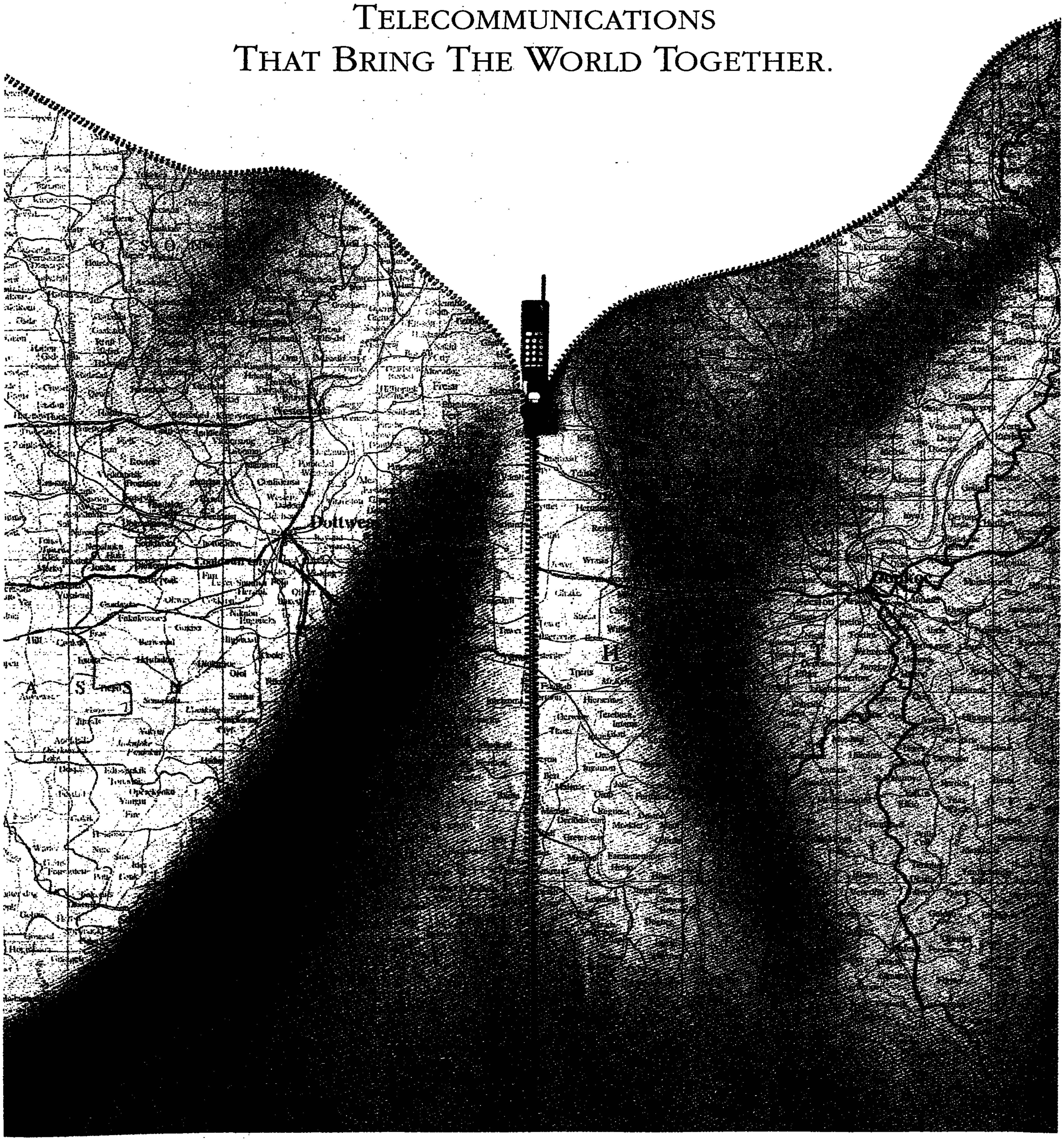
TELECOMMUNICATIONS THAT BRING THE WORLD TOGETHER.



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COMPANY NEWS: UK

Retailing activities help BAA rise 11%

By Michael Skapinker, Aerospace Correspondent

BAA, the airports group, announced first-half pre-tax profits up 11 per cent from £265m to £294m ($465m), on turnover up 6 per cent at £698m (£660m), with retailing providing much of the growth. BAA now earns more revenue from retailing than from airport charges.

Retailing has been boosted by the opening last month of the world's first airport beauty centre in Heathrow airport's Terminal One. It has also opened the first two airport Disney stores, at Heathrow and Gatwick.

Retailing revenue in the six months to September 30 rose 9 per cent to £298.1m. The biggest growth came from perfume sales. BAA's airports – Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Aberdeen and Southampton – account for over 20 per cent of the UK perfume market. Revenue from airport and other traffic charges increased 3.6 per cent to £288.3m. Property revenues rose 11 per cent to £104.9m.

Airport charges at the south-east airports were up nearly 6 per cent to £230m. BAA said the increase would have been 9 per cent had it not been for a phasing out of the differential charges between peak and non-peak periods.

Passenger numbers were 52m, up nearly 6 per cent. The group said that the rise would have been over 7 per cent if it had not been for the start last year of the Eurostar cross-Channel rail services. The Paris market has been hardest hit.

Brendan Corr

Sir John Egan (left), chief executive, and Russell Watts, finance director, with new designs for Terminal 5 at Heathrow Airport

Lyonnaise des Eaux may offer £800m

By Christopher Price

Northumbrian Water and Lyonnaise des Eaux meet today amid expectations that the French group will table a bid of between £11.30 to £11.50 a share, valuing the north-eastern water and sewerage group at nearly £800m.

Yesterday, Northumbrian's shares closed at £11.16, up 7p.

Sir Frederick Holliday and Mr Jérôme Monod, the respective chairmen of Northumbrian and Lyonnaise, will be the only executives at the meeting, which is likely to be held at the London offices of Lazards, Northumbrian's financial adviser, and attended by Rothschild, adviser to the French group.

The offer will be considered at a board meeting on Thursday or Friday. However, the UK group, bolstered by well-received results last week, is thought to be seeking an offer nearer to £12 a share.

Analysts said the potential gap between the two sides was not so wide as to prompt the water sector's first hostile bid. "Lyonnaise will try very hard to stop the issue going hostile," said one.

76% interim advance to £8.1m follows rise of 91% last year

Renold boosted by specialist focus

By Patrick Harverson

Investment in new machinery and a strategy of focusing on specialist sectors continues to pay off for Renold, the Manchester-based chain and gear manufacturer which yesterday reported a big increase in interim profits for the second year in a row.

Pre-tax profits jumped 76 per cent from £4.6m to £8.1m ($12.8m) in the six months to September 30. At the same stage last year, the group announced a profits increase of 91 per cent. The results, which exceeded market expectations, helped the shares rise 4p to 265p.

Renold also announced that it would be the latest company to pay its interim distribution as a foreign income dividend. The FID scheme was introduced by the government two years ago to allow companies that derived a large proportion of their earnings abroad to relieve surplus advance corporation tax.

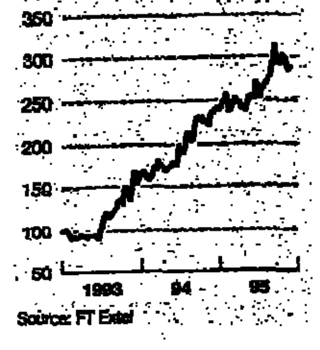
Renold, which said it would consider declaring future interim dividends as FIDs, added that part of the increase in the pay-out from 1.2p to 2.5p was to reduce disparity.

Turnover rose to £87.3m (£70.9m), aided by a £3.6m contribution from Manifold Industries, the gearbox manufacturer acquired earlier this year. Renold, which took a £400,000 charge to cover restructuring costs at Manifold, said the acquisition was already performing ahead of its targets.

A rise in raw materials costs failed to halt the improvement in operating margins, which climbed further to 10.3 per cent (7.3 per cent) in the wake of a redirection in Renold's sales mix towards higher-margin products.

Renold

Share price relative to the FT-SE-A Engineering Index



Source: FT Extel

Technical problems cut Bakyrchik cash to $9.5m

The financial plight which led Bakyrchik Gold, the London-listed company with a joint venture gold project in Kazakhstan, to accept a rescue package from a group of investors including the controversial stock promoter Mr Robert Friedland, is outlined in the company's interim statement, writes Kenneth Gooding.

This showed that cash balances had been reduced from $23.3m at the end of March to $9.5m by September 30. The company reported a loss before and after tax for the six months of $8.88m or 35.2 cents a share compared with a deficit of $726,000 or 4.6 cents.

Cash outflows were bigger than expected because of technical problems.

Mr David Hooker, chairman, yesterday warned shareholders that "full scale development of the Bakyrchik project will still be dependent on the receipt of further debt and/or equity funding in due course".

Bakyrchik shares rose 1p to 187p yesterday.

Bibby makes sharp recovery to £33m

By Tim Burt

J. Bibby & Sons has mounted a sharp recovery, replacing pre-tax losses of £10.7m with profits of £32.9m in the year to September 30.

The industrial group, 78 per cent owned by Barlow of South Africa, benefited from a hefty reorganisation last year – involving more than £30m of exceptional charges and restructuring costs – and sharply increased sales in Spain and Portugal.

Mr Richard Mansell-Jones, chairman, said the restructuring, dominated by the sale of the agricultural feeds business to Associated British Foods, had been largely completed, although Bibby still intended to wind down some minor manufacturing activities.

At the operating level, profits increased from £29.6m to £41m on reduced sales of £735.8m (£764.6m).

Mr Mansell-Jones said the improvement was fuelled largely by increased profits in the Iberian peninsula, where it sells heavy construction machinery and capital equipment.

That transformed losses of £865,000 into operating profits of £9.17m in the capital equipment division.

Earnings per share before exceptional items increased to 12.07p (6.8p). A final dividend of 4p makes 5.75p for the year. Last year the group paid a special 2p to cover the proposed flotation of some businesses, which took the total to 5p, despite the flotation being later aborted.

Global Village Comms buys KNX in £18m deal

KNX, the UK's leading supplier of Windows-based ISDN cards – electronic devices used for high speed personal computer data communications – has been acquired by US-based Global Village Communications in a share-swap deal worth about £18m ($28m), writes Paul Taylor.

The KNX deal is the seventh involving British companies specialising in ISDN technology since March and the fifth involving a US-based suitor. The US deals have been worth a total of £127m.

KNX was founded three years ago and is credited with a 44 per cent share of the UK market for PC-based ISDN cards – higher speed digital alternatives to modem communications devices.

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COMMODITIES AND AGRICULTURE

EU preparing potato disease battle plan

By Alison Maitland

European Union member states were yesterday discussing tough action to control a serious outbreak of the potato disease brown rot in the Netherlands, the world's biggest potato grower and exporter.

Brown rot is a bacterial infection that causes stains and eventual disintegration of the tuber and enters the soil. Affected fields have to be left uncultivated for at least five years.

The disease is usually found in warmer climates than the Netherlands and this is the country's most serious outbreak to date. It began in September and has now affected 38 farms, mainly in the north. The Dutch agriculture ministry is carrying out 1,300 tests on potatoes a day to try to stop its spread.

Other countries have taken national action to minimise the risk of importing the disease and are pressing the Dutch to do more. German growers are concerned that the disease could easily be carried across the border.

The European Commission's plant health standing committee met yesterday to discuss possible EU-wide action and further measures to be taken by the Dutch.

Sweden, which suffered a prolonged attack of brown rot in the 1960s, is already insisting that all Dutch potato imports be notified.

The British ministry of agriculture has advised the trade to halt imports of seed potatoes from the Netherlands – which provides nearly 14 per cent of UK requirements – until the outbreak has been isolated.

Britain imported 46,000 tonnes of seed potatoes and 41,000 tonnes of potatoes for consumption from the Netherlands last year, worth £14.8m. There has been only one isolated outbreak of the disease in Britain, in 1992.

"It could have devastating consequences," said Mr Mike Storey, research manager of the British Potato Marketing Board.

"The Dutch situation is far more extensive than anything we've faced before."

Concern focused on seed potatoes, but there was also a risk that diseased ware potatoes – for direct consumption or processing – could enter the country, he said.

Ghana's Ashanti on track for a golden future

The company is building a 10km underground rail system at its Obuasi mine, writes Kenneth Gooding

Work is starting this month on a US$33m underground rail system that will run the whole length of Ashanti Goldfield's Obuasi gold mine in Ghana.

The 10km-long system, which is about 900 metres below the surface, will provide high speed haulage using electric locomotives. It is needed urgently because, even after 100 years of continuous operation, the Obuasi mine is still giving pleasant surprises.

Geologists recently discovered a huge gold deposit in an area of the mine that previously did not seem to have much potential. So getting the gold to the surface would be difficult without a radical overhaul of the underground infrastructure.

The high speed trains, which should be ready to go to work in 1997, will be able to haul more than 10,000 tonnes of rock a day, taking it to the most sensible exit shaft. Its final destination will depend on which of Obuasi's five processing plants it should go to – each of these surface plants uses a different method of treating ore to release its gold.

Ashanti will also spend $15m on a new shaft near the newly-discovered deposit, at the southern end of the complex, to be drilled upwards from existing tunnelling. This will be used to haul about 1m tonnes of material a year but will not be suitable for transporting people. An upgrade of another shaft, called the Kwesi Mensah shaft and an adjacent ventilation shaft – essential for the underground expansion scheme – were completed last year and yet another shaft, the Eaton Turner, is being overhauled at a cost of $17m and should be fully operational again in the middle of 1977.

The final element in the present $90m programme will be a plant on the surface that will process waste from the mine, mix it with cement and send it back down again as a slurry that will be used to fill areas that have recently been mined. The plant and all the associated piping will cost $25m.

Ashanti has spent $800m in the past eight years to lift its annual output from 240,000 troy ounces of gold to 1m. But Mr Colin Smith, chief operating officer, says: "We have been battling for the past 18 months with an underground infrastructure that is not adequate. So we are spending the $90m to catch up with the lack of spending in the past".

Mr Smith points out that in existing mining areas at Obuasi grades (the amount of gold per tonne of ore) are falling so that the company will need to hoist from underground 3.5m tonnes of material a year by the end of the decade compared with 1.9m tonnes this year. He stresses that at Obuasi, "The future is underground, so any capital expenditure must protect underground growth".

With this in mind there has been some intensive underground exploration. In the past four months about 3,000 metres of drilling resulted in some very high grade mineralisation, some showing as much as half an ounce of gold per tonne over widths of more than 20 metres.

But Ashanti's concession area at Obuasi covers 474 sq km and the company is making a determined effort to find out exactly what riches remain to be discovered. A group of international geologists, working with Ashanti's own geologists, have started a three year study to determine the full potential of the concession. A helicopter was used to carry out an electro-magnetic survey of the whole concession area in March. Mr Smith, a man not given to hyperbole, decribes the results as "excellent" as they provided 15 "targets" outside areas at present being mined. Another helicopter survey will be carried out to provide more detailed data.

That data, together with that accumulated from more than 100 years of underground mining at Obuasi, mean that "within two years we will know what we have – or have a good idea of what we have – in order to plan for the future", says Mr Tony Cox, general manager, strategic planning. "We need to know what we've got so we can do some long term, strategic planning. We don't know what the ore reserve is, so we are accelerating exploration work. We need to know what would be a sensible production rate for the future."

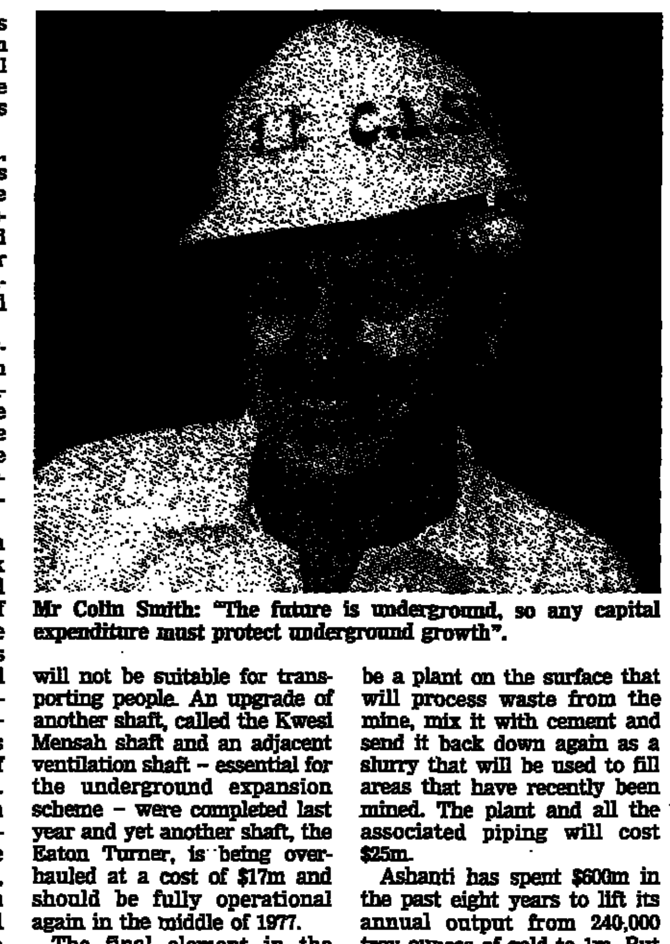
For this reason, annual exploration spending in the Obuasi concession area has been stepped up from $1.5m to $10m a year, half of which is being spent on underground exploration.

Mr Smith says Ashanti's total capital expenditure will peak this financial year at between $150m and $160m but this should be covered from cash flow as the cash cost of producing gold at Obuasi will be below $200 an ounce. He insists that the company does not expect to have to issue fresh equity for Obuasi. However, it is treating its exploration and acquisition efforts elsewhere, mainly in West Africa, as a separate operation called the new business division. This will not be subsidised by cash flow from Obuasi and, depending on Ashanti's success with new projects, shareholders may be called on for more finance for these operations.

Ashanti had hoped to produce 1m ounces for the first time in the year that ended on September 30, but freak weather dashed that hope. First there was a severe drought which slowed down production and then torrential rain flooded one of the shafts. These and other problems that miners more typically face, such as lower than expected grades in some parts of the mine, held production back to 932,000 ounces.

Mr Smith says Ashanti will achieve its annual 1m ounces but "we are not blindly being lead by that target. In the medium term Ashanti will maintain 1m ounces a year but this will include gold from other sources apart from Obuasi".

He hastens to add: "With what we already know about Obuasi, there is no reason that this mine should not be producing gold for at least another 100 years".



Mr Colin Smith: "The future is underground, so any capital expenditure must protect underground growth".

Plan for Scottish super-salmon trial worries conservationists

By Alison Maitland

UK conservation groups and salmon farmers yesterday expressed concern at plans to conduct trials on a genetically engineered salmon that can grow at up to six times the rate of normal salmon.

Otter Ferry Salmon, a company that produces eggs and juvenile fish in land-based tanks in western Scotland, is considering trials to see if the fast-growing salmon can be produced for eventual commercial use.

Mr David Patterson, technical director, said the company would decide by Christmas whether to try to produce up to 300 "transgenic" salmon, using technology developed in Canada. Salmon eggs are injected with a gene from another fish, the ocean pout, which controls production of the growth hormone. Researchers from the Ocean Sciences Centre at the Memorial University of Newfoundland, Canada, have produced transgenic fish two to six times normal size at one year old – the largest was 13 times the size of an average non-transgenic control.

Such rapid growth could be commercially attractive and a company in Chile has expressed interest in the possibility that salmon could one day be ready for eating in a year rather than three or four.

But Dr Malcolm Windsor, secretary of the North Atlantic Salmon Conservation Organisation, an inter-governmental body concerned with wild salmon, said: "When you introduce fish with genes from another animal, it's playing with fire. If there are to be tests, they must be 101 per cent secure. I'm not sure they can guarantee this".

He said transgenic salmon would have to be sterilised so they could not breed with normal salmon. But in that case, there was a danger the large transgenic fish might feed on juvenile salmon.

Introduction of oversized salmon into the southern hemisphere, which does not have native salmon species to breed with, could still damage other flora and fauna, he added.

The Scottish Salmon Growers' Association, which represents salmon farmers, said: "Although there are transgenic tomatoes and plants, there's a concern when it comes to animals. We wouldn't want to go down a route which would alienate consumers".

Mr Patterson said he appreciated environmentalists' concerns. The company has built a special experimental unit. Its security systems – involving several sets of filters to prevent escape – have been checked by the Health and Safety Executive and Department of the Environment.

"It would be a minimum of ten years before this would become commercial," he said. "Our position is that we're looking at it on an experimental basis. We would reassess it in a year and see if industry is interested in the technology."

He pointed out there could be problems such as adverse effects on the texture and eating quality that might make the transgenic fish problematic commercially. But if production became commercial the fish could be contained in enclosed fish farms in city centres to prevent escape.

Strike closes bauxite refinery

By Canute James in Kingston

The Jamalco bauxite refinery in southern Jamaica has been closed by strike by technical supervisors and administrative staff over a wage contract.

The workers ignored an order from Jamaica's industrial court to end the strike, and the company, owned by the Aluminum Company of America and the Jamaican government, said it would shut the 800,000-tonnes-a-year plant.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1638-9	1674-5
Previous	1647-8	1682-3
High/low	1643/1641	1686/1668
AM Official	1641-1.5	1679-9.5
Kerb close		1667.5-8.5
Open int.	231,374	
Total daily turnover	95,104	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1370-80	1412-7
Previous	1375-85	1415-35
High/low		1415/1412
AM Official	1370-5	1405-15
Kerb close		1410-20
Open int.	3,390	
Total daily turnover	818	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	684-5	683-4
Previous	688-9	690-1
High/low	684	687/680
AM Official	684-5	682-3
Kerb close		679-80
Open int	32,846	
Total daily turnover	7,777	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8515-25	8635-40
Previous	8455-65	8575-80
High/low	8530/8525	8680/8600
AM Official	8530-35	8630-40
Kerb close		8600-10
Open int.	44,269	
Total daily turnover	12,215	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6370-80	6415-20
Previous	6405-15	6445-50
High/low		6440/6400
AM Official	6370-75	6410-15
Kerb close		6400-10
Open int	17,713	
Total daily turnover	7,677	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1020-1	1044-45
Previous	1036.5-7.5	1060-1
High/low	1027	1058/1039
AM Official	1026.5-7.5	1051.5-2.0
Kerb close		1038-9
Open int	87,103	
Total daily turnover	38,898	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3032-7	2811-13
Previous	3025-30	2820-1
High/low	3030/3000	2840/2795
AM Official	3018-21	2814-16
Kerb close		2797-8
Open int.	181,631	
Total daily turnover	101,829	

■ LME AM Official £/$ rate: 1.5678
LME Closing £/$ rate: 1.5580

Spot 1.5556 3 mths: 1.5524 6 mths: 1.5487 9 mths: 1.5448

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	137.65	-1.40	139.40	138.45	254	1,568
Dec	133.50	-1.55	135.35	132.75	4,569	17,890
Jan	130.30	-1.55	130.40	130.40	18	971
Feb	127.55	-1.75	-	-	3	608
Mar	125.45	-1.35	127.20	125.00	1,154	9,075
Apr	123.55	-1.30	-	-	-	302
Total					6,223	38,429

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.60-388.20		
Opening	389.20-389.60		
Morning fix	389.60	248.834	441.728
Afternoon fix	389.30	248.433	442.313
Day's High	389.50-389.90		
Day's Low	387.60-388.20		
Previous close	388.70-389.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.71	6 months	3.07
2 months	2.72	12 months	3.32
3 months	2.78		

Silver Fix	p/troy oz.	US cts equiv
Spot	335.80	542.25
3 months	350.55	548.55
6 months	355.20	554.60
1 year	364.90	567.05

Gold Coins	$ price	£ equiv.
Krugerrand	389-390	250-252
Maple Leaf	398.50-401.00	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	387.2	-2.4	-	-	5	5
Dec	388.1	-2.4	390.7	387.2	102,660	88,060
Feb	389.8	-2.4	392.7	389.0	10,243	31,918
Apr	392.1	-2.4	394.7	392.2	5,497	8,221
Jun	394.5	-2.4	397.4	394.4	6,426	14,463
Aug	396.8	-2.4	-	-	30	3,373
Total					125,541	186,242

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	417.1	-5.8	421.0	416.2	6,883	17,136
Apr	416.6	-6.0	420.5	416.4	173	2,416
Jul	417.1	-6.0	417.0	417.0	55	1,702
Oct	417.6	-6.0	420.0	420.0	208	373
Jan	418.6	-6.0	-	-	1	5
Total					7,319	21,632

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	138.85	-0.05	137.75	136.00	481	4,333
Mar	137.85	-0.05	139.00	137.25	54	2,023
Jun	139.00	-0.05	-	-	-	125
Total					535	6,481

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	531.2	-12.8	544.0	528.0	18,178	57,474
Jan	532.7	-12.8	-	-	2	30
Mar	538.6	-12.5	550.0	535.5	1,932	19,514
May	542.5	-12.7	553.5	541.0	153	8,596
Jul	546.3	-12.9	557.5	544.0	13	5,741
Sep	550.4	-13.1	560.0	549.5	4	7,810
Total					20,311	108,184

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	17.77	-0.06	18.05	17.72	37,786	57,952
Jan	17.52	-0.03	17.73	17.48	27,089	80,828
Feb	17.33	-0.04	17.52	17.28	6,485	34,712
Mar	17.28	+0.03	17.40	17.25	1,988	19,664
Apr	17.13	-0.03	17.28	17.12	1,267	12,709
May	17.06	-0.01	17.15	17.06	2,110	9,109
Total					84,828	332,886

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	16.58	-	16.79	16.58	24,138	23,329
Jan	16.32	-	16.49	16.32	16,449	76,758
Feb	16.14	-0.01	16.28	16.14	1,874	15,990
Mar	16.00	-0.01	16.11	16.00	264	12,687
Apr	15.93	+0.03	16.00	15.93	274	7,662
May	15.82	+0.02	15.91	15.82	177	1,699
Total					36,447	152,754

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	51.65	+0.02	52.40	51.40	11,357	36,837
Jan	51.90	-0.02	52.60	51.65	8,491	44,648
Feb	51.35	+0.04	51.90	51.20	1,495	24,124
Mar	50.05	+0.04	50.50	49.90	1,878	9,114
Apr	48.30	-0.11	48.85	48.30	592	4,847
May	47.50	+0.24	47.50	47.50	557	3,742
Total					24,898	142,976

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	154.00	+1.25	155.00	153.50	8,062	32,572
Jan	154.50	+1.25	155.25	153.75	5,802	20,185
Feb	153.50	+1.25	153.75	153.00	1,241	8,757
Mar	152.00	+0.75	152.25	151.75	401	4,116
Apr	150.75	+1.25	151.00	150.75	181	2,319
May	149.25	+1.00	149.25	149.25	15	1,041
Total					16,089	87,899

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	1.923	+0.022	1.932	1.910	17,798	25,920
Jan	1.958	+0.015	1.963	1.945	10,781	28,821
Feb	1.895	+0.013	1.904	1.880	3,826	15,243
Mar	1.810	+0.008	1.820	1.795	3,086	11,594
Apr	1.720	-0.002	1.725	1.720	574	7,528
May	1.720	-0.003	1.727	1.720	637	6,914
Total					39,803	136,521

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	50.75	+0.05	51.20	50.60	[illegible]	[illegible]
Jan	50.40	[illegible]	50.80	50.20	[illegible]	[illegible]
Feb	50.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	51.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	128.00	+2.25	127.50	127.50	11	125
Jan	129.75	+1.25	130.00	129.60	193	2,320
Mar	131.75	+1.15	132.00	131.60	149	2,394
May	133.75	+1.15	134.10	133.50	175	2,866
Jul	135.75	+1.00	-	-	-	134
Sep	119.00	+1.00	-	-	-	27
Total					543	8,282

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	490.00	-7.00	496.50	488.00	15,746	36,404
Mar	494.50	-5.25	501.00	494.00	14,677	42,857
May	461.75	-5.25	468.00	461.50	531	4,472
Jul	415.50	-5.50	422.00	415.50	2,406	17,807
Sep	418.00	-4.50	422.00	417.00	285	2,797
Dec	427.00	-5.00	430.50	426.00	50	855
Total					33,432	106,230

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	325.25	-2.50	329.75	324.75	41,141	142,640
Mar	332.75	-2.50	337.25	332.00	58,198	231,740
May	333.00	-2.25	337.25	332.50	5,890	38,439
Jul	330.00	-2.50	334.25	329.50	5,032	50,493
Sep	293.50	-1.75	295.50	292.50	973	8,897
Dec	280.50	-0.75	282.00	279.50	2,803	24,411
Total					114,127	498,022

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	119.00	-1.00	120.00	120.00	5	77
Jan	121.70	+0.30	122.25	121.90	55	933
Mar	123.55	-0.05	124.20	123.85	51	651
May	126.75	-0.25	127.00	126.75	15	239
Sep	112.50	-	-	-	-	12
Nov	114.50	-	-	-	-	5
Total					114	1,905

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	673.50	-7.25	682.50	673.00	1,471	4,408
Jan	678.50	-7.25	688.50	678.00	37,212	82,076
Mar	686.75	-8.75	698.00	686.25	9,110	38,411
May	690.75	-6.50	699.25	690.00	1,999	12,931
Jul	692.25	-6.00	700.50	692.00	3,158	16,817
Aug	689.50	-6.00	696.00	689.00	37	822
Total					55,188	170,525

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.67	-0.26	25.94	25.57	7,878	29,195
Jan	25.87	-0.24	26.13	25.86	4,660	20,787
Mar	26.18	-0.23	26.42	26.17	4,451	14,042
May	26.45	-0.25	26.68	26.44	1,697	8,451
Jul	26.56	-0.22	26.84	26.56	1,294	6,800
Aug	26.63	-0.20	26.89	26.63	193	1,108
Total					20,412	82,288

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	207.4	-2.2	210.2	207.3	11,612	37,493
Jan	208.5	-2.3	211.6	208.4	7,933	24,579
Mar	210.5	-2.1	213.5	210.2	5,285	23,845
May	210.3	-2.5	213.4	210.2	888	7,565
Jul	210.3	-2.5	213.5	210.2	1,211	8,979
Aug	208.6	-2.1	211.0	208.2	136	963
Total					27,398	185,306

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.0	-	-	-	-	-
Apr	282.0	+3.2	285.0	280.0	54	1,162
May	335.0	-	-	-	-	8
Jun	325.0	-	-	-	-	-
Total					54	1,170

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1797	+7	1830	1795	188	581
Dec	1793	-7	1830	1785	19	249
Jan	1769	+20	1804	1770	156	1,235
Apr	1719	+13	1766	1719	93	1,275
Jul	1515	+2	1565	1520	58	406
Oct	1610	-5	-	-	21	89
Total					434	3,857

	Close	Prev
BFI	1657	1636

FUTURES DATA
All futures data supplied by CMS.

Tea
The Tea Broker's Association reports, landed strong general demand. Good liquoring Assams met keen competition at mainly dearer rates, while mediums ruled firm. Best Kenya and Burundi teas were again very strong and dearer, while mediums saw improved support and often advanced 2/4p. Plain Africans also sold well except for a few faulty invoices. Offshore strong demand at firm to dearer rates. Quotations: best available 220p/kg., good 170p/kg., good medium 135p/kg., medium 115p/kg., low medium 85p/kg. The highest price realised this week was a 220p for a Burundi pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	925	-12	932	924	516	14,157
Mar	961	-9	966	956	1,261	34,928
May	978	-8	981	974	821	14,261
Jul	997	-5	998	985	67	4,889
Sep	1015	-8	1016	1012	92	26,112
Dec	1028	-8	1029	1029	10	8,277
Total					3,084	117,684

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1332	-23	1353	1329	4,792	14,087
Mar	1362	-21	1382	1358	8,274	38,920
May	1383	-21	1400	1380	270	8,563
Jul	1403	-21	1421	1410	36	3,487
Sep	1424	-21	1436	1436	740	9,404
Dec	1452	-22	1464	1455	1	6,940
Total					12,113	82,106

■ COCOA (ICCO) (SDR's/tonne)

Nov 10	Price	Prev. day
Daily	965.52	979.33

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2498	-47	2550	2502	78	1,580
Jan	2351	-	2367	2345	1,801	14,072
Mar	2277	-4	2289	2270	439	6,465
May	2206	+3	2210	2200	37	3,514
Jul	2158	+8	-	2149	-	716
Sep	2115	+12	-	-	-	309
Total					2,355	28,676

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	128.40	-	130.00	127.00	3,236	10,362
Mar	125.10	-	126.50	124.00	1,894	10,305
May	122.50	-	123.25	122.25	281	2,751
Jul	121.15	-	121.25	121.00	227	607
Sep	120.00	-	-	-	47	314
Dec	119.00	-	-	-	12	247
Total					5,697	24,769

■ COFFEE (ICO) (US cents/pound)

Nov 10	Price	Prev. day
Comp. daily	122.31	122.59
15 day average	121.11	121.06

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.72	+0.10	-	-	-	-
Jul	10.72	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	370.8	+5.5	372.0	364.6	1,249	2,675
Mar	337.7	+2.2	338.0	335.2	482	15,823
May	329.0	+2.0	329.5	327.5	252	4,890
Aug	321.0	+1.9	321.5	320.4	193	3,137
Oct	292.6	+2.4	292.9	291.5	46	2,628
Dec	286.6	+1.9	285.5	284.0	95	1,130
Total					2,222	30,490

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.74	+0.10	10.76	10.61	4,268	76,581
May	10.53	+0.11	10.53	10.41	506	21,010
Jul	10.31	+0.12	10.31	10.17	533	13,237
Oct	10.23	+0.11	10.24	10.13	562	15,190
Mar	10.14	+0.11	10.14	10.10	30	9,585
May	10.08	+0.12	10.08	10.06	100	823
Total					6,061	136,768

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	84.65	+0.34	85.40	83.10	6,332	14,591
Mar	83.24	+0.01	83.90	82.52	6,869	19,633
May	83.80	+0.12	84.10	83.00	851	8,262
Jul	83.50	-0.10	84.00	83.10	265	6,583
Oct	79.70	+0.45	79.80	79.30	49	1,438
Dec	77.00	+0.13	77.15	76.40	380	7,063
Total					14,767	58,621

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	122.10	-1.20	-	-	60	324
Jan	122.90	-	123.25	121.90	923	18,611
Mar	125.15	+0.25	125.40	124.20	160	4,621
May	127.45	+0.35	127.70	126.50	12	1,859
Jul	129.45	+0.35	129.70	129.20	3	577
Sep	131.45	+0.35	131.45	131.10	45	670
Total					1,143	28,474

VOLUME DATA
Open interest and Volume data shown for *contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.*

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 13	Nov 10	month ago	year ago
2151.8	2134.4	2100.7	2133.1

■ CRB Futures (Base: 1967=100)

Nov 10	Nov 9	month ago	year ago
[illegible]	243.28	[illegible]	[illegible]

■ GSCI Spot (Base: 1970=100)

Nov 10	Nov 9	month ago	year ago
185.20	184.11	180.40	179.03

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	69.000	-0.150	69.150	68.850	5,070	28,782
Feb	68.625	+0.225	68.750	68.275	1,982	18,188
Apr	67.925	+0.125	68.025	67.675	953	11,491
Jun	63.975	-0.075	64.125	63.950	277	4,997
Aug	62.175	-0.100	62.350	62.175	145	2,075
Oct	63.150	-	63.400	63.175	462	1,760
Total					9,024	67,593

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	44.525	+1.100	44.550	43.800	2,752	10,867
Feb	47.875	+0.400	48.100	47.400	1,369	8,451
Apr	48.175	+0.650	48.400	47.650	772	3,681
Jun	53.525	+0.500	53.575	53.025	470	3,644
Jul	53.400	+0.700	53.450	52.800	426	2,059
Aug	52.425	+0.525	52.500	51.750	305	811
Total					6,341	31,152

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	58.275	+1.575	58.700	56.850	1,361	5,258
Mar	58.450	+1.825	58.600	56.900	82	714
May	59.250	+1.500	59.750	58.150	15	349
Jul	60.200	+1.000	60.375	58.900	21	465
Aug	58.050	+1.300	58.150	57.000	12	105
Total					1,491	6,891

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	58	110	13	40
1700	11	59	66	87
1800	-	27	-	154
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2800	122	87	19	109
2900	59	51	55	171
3000	22	-	118	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1600	-	-	-	-
1650	-	-	-	-
1700	-	-	-	-
■ COCOA LCE	Dec	Mar	Dec	Mar
875	51	97	-	11
900	27	79	1	18
925	9	62	8	26
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1550	97	94	9	23
1600	59	67	19	41
1650	34	40	42	68

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$15.35-5.39w	+0.08
Brent Blend (dated)	$16.57-6.59	-0.19
Brent Blend (Jan)	$16.35-6.40	+0.06
W.T.I. (1pm est)	$17.53-7.55w	-0.02

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$186-188	
Gas Oil	$157-158	+1
Heavy Fuel Oil	$85-88	
Naphtha	$150-153	-1.5
Jet fuel	$179-180	+1
Diesel	$182-183	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

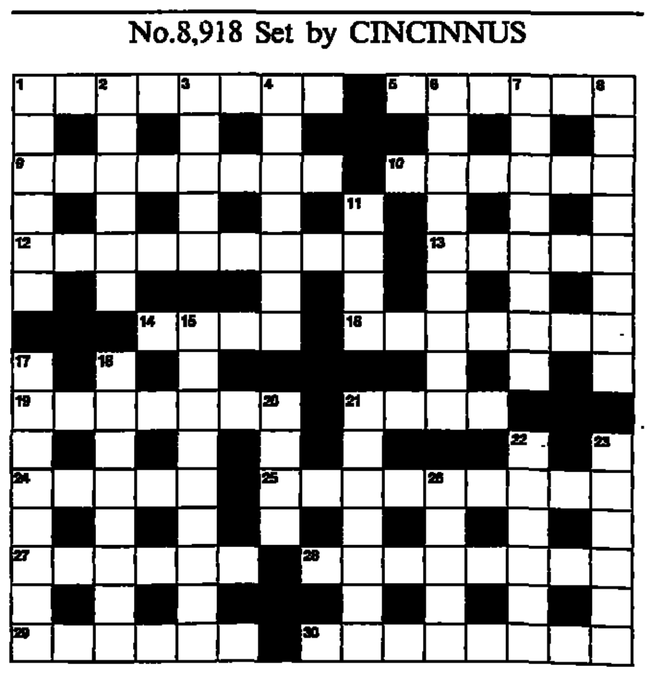
Gold (per troy oz)♣	$388.00	-0.85
Silver (per troy oz)♣	534.5c	-10.0
Platinum (per troy oz.)	$418.00	-5.0
Palladium (per troy oz.)	$135.25	-1.0
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.945m	-0.01
Tin (New York)	3023.5c	-1.0
Cattle (live weight)†	128.45p	+1.29*
Sheep (live weight)†♣	100.58p	+1.26*
Pigs (live weight)†	101.27p	+1.20*
Lon. day sugar (raw)	$301.1	+1.3
Lon. day sugar (wte)	$379.5	-3.0
Barley (Eng. feed)	£127.0	+4.0
Maize (US No3 Yellow)	£105.5w	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	109.25p	+2.5
Rubber (Dec)♥	109.25p	+2.5
Rubber (KL RSS No1)	408.0m	+4.0
Coconut Oil (Phil)§	$777.5u	+7.5
Palm Oil (Malay)§	$612.5	-5.0
Copra (Phil)§	489.0y	-3.0
Soyabeans (US)	195.0	+2.0
Cotton Outlook'A' index	88.75c	
Wooltops (64s Super)	456p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. [illegible]

JOTTER PAD

CROSSWORD

No.8,918 Set by CINCINNUS



ACROSS
1 A little pink elephant, a small apparition (8)
5 Burning sailor's loaf (6)
9 Heavenly note put before what is actual? (8)
10 Poles like following King Arthur's lead in state (6)
12 When set out, it is clear and practical (9)
13 Youth leader on platform makes a bloomer (5)
14 I'd no motive for murder (2,2)
16 Rainfall indicators (7)
19 Not much within one's grasp (7)
21 A railway once given to the poor (4)
24 Get to know king's name (5)
25 Crazy outfit, also unfinished songs (9)
27 Left out of Olympic line-up, suffering from eye defect (6)
28 Petrol may be in van without payment (4-4)
29 Bound to be scourged (6)
30 Killer seen when special forces do wrong (8)

DOWN
1 An American author has to attempt verse (6)
2 Wood provided by god of house as building material (6)
3 Bones sailors found on island (5)
4 Greek box, light brown (7)
6 Accommodation for directors or characters from Broadmoor (9)
7 Attacked from the wrong side, alas! (8)
8 A writer says ties get knotted (8)
11 Experts at cards (4)
15 Disgusting attack (9)
17 Hill poem about the nightingale (8)
18 In France a creature without a tail is notorious (8)
20 A young creature of 8 (4)
21 Direct speech (7)
22 Dogs nodding in cars? (6)
23 Behind a coaster, not inside (6)
26 The end of Forster's passage? (5)

Solution to Saturday's prize puzzle on Saturday November 25.
Solution to yesterday's prize puzzle on Monday November 27.

Treasuries rally on debt default moves

By Lisa Bransten in New York and Richard Lapper in London

The US Treasury market heaved a sigh of relief and rallied in early morning trading after the Treasury Department announced a series of steps that should put off the possibility of a default at least for this week.

Near midday, the benchmark 30-year Treasury bond was ½ higher at 107 25/32 to yield 6.286 per cent. At the short end of the maturity spectrum, the two-year note was up 1/32 at 100 1/32, to yield 5.487 per cent.

Bonds were lower in early trading amid continuing fears that the government might not be able to raise the cash to make interest and principal payments that come due today and tomorrow.

Just after 8am, President Bill Clinton vetoed a bill that would have lifted the debt ceiling and allowed the government to raise cash to meet this week's debt service obligations.

At 10pm, however, the Treasury Department announced a series of auctions it could hold to raise $102bn to pay and meet its obligations without breaching the debt ceiling.

Included on the auction schedule was an offering of $29.2bn of three and six-month bills slated for yesterday afternoon, and auctions of $18bn in three-year notes and $13.5bn in 10-year notes to be held next Monday and Tuesday respectively.

Particularly heartening to traders was that the note auctions would be held next week, so there would be time for the market to absorb some of the supply through advance sales.

■ European bond markets also took heart from the signs of a potential compromise in the long-running US debt saga, with all markets rising strongly in the afternoon, following the opening of the US market.

The strength of the dollar helped France and the higher yielding European markets outperform Germany, with 10-year yield spreads of French, Spanish, and Italian bonds narrowing over bunds.

■ Fuelled by the rise in the US market, gilts gained ground across the board. Producer price figures were as expected but provided further evidence that inflationary pressures are moderating.

GOVERNMENT BONDS

That proved to be of particularly help to the short-end of the curve, with yields on the three-year and four-year benchmark bonds rising by 7 and 6 basis points respectively, compared with a rise of 3 basis points for the 10-year benchmark.

According to Mr Andrew Roberts, gilts analyst at UBS, the market is now pricing in an interest rate cut by March next year.

On Liffe long gilts closed up nearly a quarter point, while the December short sterling contract gained 0.08, implying end of year rates of 6.62 per cent.

■ Expectations of lower interest rates were also a factor in the German market, with the December euromark contract traded on Liffe gaining 0.02 to close at 96.08, a price at which, according to analysts, it discounts a 15 to 20 basis point cut in the securities repurchase rate.

The Bundesbank cut the rate by 2 basis points to 4 per cent last week and is tipped in some quarters to follow suit with a more sizeable cut tomorrow.

Mr Mark Fox, chief European strategist at Lehman Brothers, also predicts a cut in the discount rate before the end of the year.

Mr Fox reported growing investor interest in trades based on the yield spread between 10-year German bunds and their US equivalents.

The 10-year yield spread between the two benchmark bonds widened by 1 basis point to 28 yesterday. However, over the past week the spread has contracted from 43 basis points.

Mr Fox expects it to fall back to 20 basis points but says there is a "definite split of opinion in the market. We are seeing a two-way trade flow."

■ The French market saw a resumption of the rally which began following last Tuesday's government reshuffle but which tailed off amid dollar weakness on Thursday and Friday.

Trading volumes were thin, however, with investors awaiting tomorrow's announcement of the government's plans for social security reform.

Mirroring the pattern elsewhere, the short end of the curve out-performed, with three-month Pibor futures quoted at 94.03 during late trading on Globex, a rise of 0.09 on the day.

Southern Africa fund from MAM and Sanlam

By Antonia Sharpe

Mercury Asset Management has joined forces with Sanlam, the South African life assurance-based conglomerate, to launch a new fund investing in southern Africa.

The fund, called Southern Africa Investors, will initially concentrate on South Africa but small investments will also be made in Ghana and Zimbabwe.

Mr Ian Slack, an MAM director who will be managing the fund, said he would focus on companies which are set to benefit from growth in the domestic economy and on conglomerates which are likely to be unbundled in the future.

"It is not mining but industrial growth we are after," said Mr Slack, adding that the fund would not, therefore, reflect the composition of the Johannesburg stock market.

Institutional investors have already committed about £25m to the Dublin-listed fund, which will have a closed-end structure for the first two years and monthly redemptions at net asset value thereafter.

However, MAM has a target of £30m to £35m for the fund. The minimum investment is £50,000 and dealings are expected to commence on December 15.

At least 80 per cent of the fund will be invested by the first day of dealing, through an asset swap between the fund and Sanlam which has been agreed with the South African Reserve Bank.

Central bank approval is needed because of exchange controls in South Africa. Sanlam will sell the fund stocks which have been selected by MAM, for the most part in tightly-held domestic companies, and receive the proceeds offshore.

Liffe to trade in Tiffe euroyen futures contracts

By Richard Lapper

The London International Financial Futures and Options Exchange (Liffe) said yesterday it is to begin trading in Japanese short-term interest rate contracts in April. The announcement followed the signing of a formal agreement with the Tokyo International Financial Futures Exchange (Tiffe) to trade the contract, the world's second most popular money market contract.

DERIVATIVE INSTRUMENTS

The deal will provide access for Liffe members and their clients in the European time zone to Tiffe's three-month euroyen futures contract, making it possible for investors and money managers to buy and sell yen-denominated products for a longer period each day. A sizeable amount of yen-denominated business is already transacted outside Japan and after the close of the Japanese trading day.

At the end of 1994, for example, about Y2,000bn of yen interest rate swaps were outstanding, with 42 per cent of end–users located outside Japan.

Mr Jack Wigglesworth, chairman of Liffe, described the agreement as "ground-breaking" and a "milestone in Liffe's history".

Liffe will start trading the contract from the close of the Tiffe session – at 9am GMT or 6pm Tokyo time. No closing time has yet been fixed and Liffe's board has still to decide whether the contract will be traded on the trading floor or on the automated pit trading (APT) electronic system.

The euroyen contract traded in London will be "fungible" – or interchangeable – with that traded in Tokyo, although Tiffe will monitor all open interest in the contract.

Liffe began negotiations with Tiffe – with which it has 50 members in common – three years ago and signed a letter of intent in January this year. The deal forms part of Liffe's strategy to link up with markets in other time zones, launched following its decision to reject participation in Globex, the international electronic trading system.

This year, the exchange agreed a link-up with the Chicago Board of Trade, allowing it to trade its European bond market contracts across the CBOT floor when business closes for the day in London. In turn, Liffe traders will trade US bond contracts on the Liffe floor until trading begins in Chicago during the London afternoon.

Liffe already lists the 10-year Japanese government bond future following an agreement with the Tokyo Stock Exchange in April 1991. On average 3,400 contracts are traded each day.

Euroyen contracts traded on Liffe will be transferred into Tiffe Euroyen contracts and subsequently cleared by Tiffe clearing members. Liffe clearing members will be required to enter into agreements with Tiffe members to clear contracts.

"The euroyen link will allow users of the Euroyen futures contract to have the benefit of trading into already established liquidity during both the London and Tokyo trading days," said Mr Wigglesworth.

The contract specification for the Liffe euroyen contract will be the same as for the Tiffe contract. Its unit of trading will be Y100m and the minimum price fluctuation will be 0.01 or a value of Y2,500 per tick.

Primary issuance activity all but grinds to a halt

By Conner Middelmann

With markets nervously watching political wrangling over the US debt ceiling, primary activity in the eurobond market all but ground to a halt yesterday and only a trickle of new deals materialised.

INTERNATIONAL BONDS

The absence of attractive swap opportunities in most markets other than D-Marks, and the approaching year-end have also been weighing on issuance activity.

"Many borrowers are done for the year, and investors aren't stretching for paper either," said one new-issues dealer.

Still, some new eurobonds are waiting in the wings. They include a $250m issue of 10-year bonds for Telstra, the Australian telecommunications company, via J.P. Morgan. The bonds, which are expected to be priced at a spread over Treasuries in the high 40s, could come as early as today.

In the D-Mark sector, the Korean Export-Import Bank is expected to issue DM350m of three-year bonds via Commerzbank this week, possibly today.

Colombia is set to issue its long-awaited DM200m eurobond next week via Deutsche Morgan Grenfell after roadshows in Frankfurt, Zurich and London this week. And the Argentine Province of Buenos Aires is said to be planning a DM150m, three-year issue via Salomon Brothers and WestLB.

Among yesterday's offerings, Italy's Banca CRT issued $150m of five-year floating-rate notes paying a coupon of three-month Libor plus 0.1875 and yielding 23.3 basis points over Libor at the re-offer price. Lead manager Merrill Lynch reported good demand from a variety of European bank funds.

Elsewhere, the Nationwide Building Society tapped the Japanese yen market for Y15bn of five-year zero-coupon bonds via UBS. The bonds were tailored to specific institutional investor demand in Japan, the lead manager said. Another Y10bn of zero-coupon bonds came for the Swedish Export Credit via Morgan Stanley.

● Standard & Poor's, the international credit rating agency, has lowered Crédit Foncier de France's long-term debt rating to A from AA–. Among other reasons, the downgrade primarily reflects the loss of Crédit Foncier's role in financing public housing, the agency said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ACCMT 2, Class A1(a)	378.25	(a1)	(a1)R	Aug.2000	0.30R	(a1)(5¾%-00)	Salomon Brothers
ACCMT 2, Class A2(a)‡	378.25	(a2)	(a2)R	Aug.2000	0.275R	-	Salomon Brothers
Banca CRT‡	150	(b)	99.804R	Nov.2000	0.20R	-	Merrill Lynch International
Citi Investments	50	9.25#	100.705R	Nov.1998	undiscl.	+304(T-bill)	Citibank International
YEN							
Nationwide Building Society‡	15bn	(c)	100.15	Dec.2000	0.15	-	UBS
Swedish Export Credit★	10bn	zero	99.85	Nov.1997	0.15	-	Morgan Stanley & Co Intl.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Advanta Credit Card Master Trust. Legal maturity: 1/8/03. Controlled amortisation. Average life: 4.94 yrs. Monthly coupons. a1) Priced later at around 43bp over Treasuries. a2) Priced later at 1-mth Libor + approx 19bp. a3) Class B: $44.625m. b) 3-mth Libor +⅛%. c) 3-mth Libor -5bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.3700	–0.300	8.68	8.69	8.57
Austria		6.875	08/05	100.4200	+0.070	6.81	6.89	6.93
Belgium		6.500	03/05	97.6100	–	6.85	6.90	7.02
Canada *		8.750	12/05	107.7900	+0.310	7.62	7.53	7.72
Denmark		7.000	12/04	95.9400	+0.200	7.63	7.75	7.82
France	BTAN	7.750	04/00	105.2500	–	6.33	6.47	6.73
	OAT	7.750	10/05	104.6000	+0.430	7.09	7.26	7.46
Germany Bund		6.500	10/05	101.2000	+0.200	6.33	6.39	6.55
Ireland		6.250	10/04	89.6500	+0.150	7.91	7.92	8.12
Italy		10.500	09/05	94.6500	+0.110	11.42†	11.49	11.52
Japan	No 129	6.400	03/00	120.0890	–0.180	1.47	1.56	1.46
	No 174	4.600	09/04	113.3890	+0.071	2.72	2.75	2.55
Netherlands		7.000	06/05	104.4200	+0.130	6.36	6.45	6.60
Portugal		11.875	02/05	105.0000	+0.480	10.97	11.14	11.18
Spain		10.150	01/06	94.9900	+0.410	10.65	10.79	10.85
Sweden		6.000	02/05	80.5710	–0.040	9.21	9.23	9.34
UK Gilts		8.000	12/00	103-06	+7/32	7.23	7.28	7.42
		8.500	12/05	104-09	–2/32	7.87	7.85	8.00
		9.000	10/08	109-09	+9/32	7.96	7.98	8.12
US Treasury *		6.500	08/05	103-30	+8/32	5.96	5.95	6.11
		6.875	08/25	108-01	+23/32	6.27	6.28	6.46
ECU (French Govt)		7.500	04/05	100.1300	+0.420	7.47	7.68	7.70

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¾	One month	5.40	Two year	5.50
Broker loan rate	7½	Two month	5.55	Three year	5.60
Fed funds	5¾	Three month	5.60	Five year	5.74
Fed funds at intervention	-	Six month	5.56	10-year	5.88
		One year	5.47	30-year	6.32

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117.94	118.16	+0.32	118.18	117.68	78,505	107,206
Mar	117.18	117.44	+0.32	117.44	116.98	2,025	12,616
Jun	117.30	117.62	+0.38	117.30	117.14	393	3,238

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
115	-	2.95	-	0.05	0.61	-
116	-	-	-	0.10	0.86	1.27
117	1.34	1.59	2.14	0.20	1.21	1.59
118	0.60	1.08	-	0.45	-	-
119	0.23	0.69	-	1.04	-	-

Est. vol. total, Calls 18,686 Puts 11,378. Previous day's open int., Calls 150,113 Puts 163,583.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.15	97.45	+0.21	97.50	97.13	70325	199892
Mar	96.60	96.86	+0.22	96.86	96.59	1133	12424

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9700	0.60	0.58	0.83	1.01	0.15	0.72	0.97	1.15
9750	0.28	0.37	0.60	0.78	0.33	1.01	1.24	1.42
9800	0.11	0.23	0.42	0.59	0.66	1.37	1.56	1.73

Est. vol. total, Calls 15703 Puts 13311. Previous day's open int., Calls 205062 Puts 198842

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.70	103.38	+0.35	103.52	102.55	26473	41191
Mar	102.28	102.96	+0.35	103.00	102.28	264	2144

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10300	0.77	2.05	0.41	2.09
10350	0.49	1.82	0.63	2.36
10400	0.30	1.60	0.94	2.64

Est. vol. total, Calls 2822 Puts 2895. Previous day's open int., Calls 51800 Puts 47567

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.76	90.08	+0.32	90.14	89.56	35,761	32,845
Mar	–	89.91	-	-	–	1,383	1,930

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107-14	107-21	+0-07	107-24	107-07	28138	104775
Mar	106-21	107-01	+0-07	106-27	106-21	3015	3225

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
107	1-00	1-10	1-37	1-54	0-22	1-08	1-35	1-52
108	0-28	0-45	1-08	1-23	0-50	1-43	2-06	2-21
109	0-09	0-26	0-50	0-63	1-31	2-24	2-48	2-61

Est. vol. total, Calls 2809 Puts 1410. Previous day's open int., Calls 37677 Puts 32337

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.06	88.42	+0.38	88.42	87.96	1,694	8,926

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	116-30	117-12	+0-12	117-16	116-17	294,214	400,991
Mar	116-21	117-00	+0-12	117-04	116-07	9,565	45,211
Jun	115-26	116-18	+0-10	116-18	115-25	1,250	10,590

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.00	-	-	122.17	121.86	2814	0
Mar	120.67	-	-	120.80	120.52	1091	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Nov 13	Day's change %	Fri Nov 10	Accrued interest	xd adj. ytd		Low coupon yield Nov 13	Low coupon yield Nov 10	Low coupon yield Yr. ago	Medium coupon yield Nov 13	Medium coupon yield Nov 10	Medium coupon yield Yr. ago	High coupon yield Nov 13	High coupon yield Nov 10	High coupon yield Yr. ago
1 Up to 5 years (22)	122.00	+0.12	121.86	1.78	9.72	5 yrs	7.34	7.38	8.57	7.35	7.40	8.62	7.43	7.48	8.77
2 5-15 years (21)	146.03	+0.19	145.75	1.09	11.73	15 yrs	7.98	8.00	8.63	8.02	8.05	8.65	8.10	8.13	8.69
3 Over 15 years (9)	162.53	+0.26	162.11	1.79	12.13	20 yrs	8.03	8.06	8.51	8.06	8.09	8.65	8.13	8.16	8.62
4 Irredeemables (6)	184.23	+0.40	183.49	0.54	13.47	Irred.†	8.14	8.17	8.57						
5 All stocks (58)	141.79	+0.18	141.53	1.48	11.18										

Index-linked							Inflation 5% Nov 13	Inflation 5% Nov 10	Inflation 5% Yr. ago	Inflation 10% Nov 13	Inflation 10% Nov 10	Inflation 10% Yr. ago
6 Up to 5 years (1)	194.63	+0.04	194.58	0.44	6.37	Up to 5 yrs	3.07	3.08	4.09	2.00	2.00	2.99
7 Over 5 years (11)	187.16	+0.04	187.09	1.06	4.45	Over 5 yrs	3.64	3.64	3.87	3.46	3.46	3.70
8 All stocks (12)	187.19	+0.04	187.12	1.04	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 13	Nov 10	Nov 9	Nov 8	Nov 7	Yr ago	High*	Low*
Govt. Secs. (UK)	94.07	93.94	94.14	94.44	94.06	91.22	95.51	90.22
Fixed Interest	112.58	112.62	112.95	112.75	112.58	107.66	114.68	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6
Gilt Edged bargains	81.7	85.4	79.0	79.3	72.6
5-day average	79.6	82.3	83.5	85.0	86.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅛	99¼	+⅛	5.75
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛	+⅛	6.51
ABN Ambro Bank 7¼ 05	1000	104¼	104⅝	+⅛	6.75
African Dev Bk 7½ 23	500	103	103½	+⅛	7.12
Alberta Province 7⅝ 98	1000	104⅛	104⅞		5.88
Austria 8½ 00	400	108¾	109⅛		6.07
Baden-Wuertt L-Fin 8⅛ 00	1000	107¼	107½	+⅛	6.11
Bank Ned Gemeenten 7 99	1000	103⅜	103⅝	+⅛	5.96
Bayer Vereinsbk 8⅛ 00	500	107¼	107⅜	+⅛	6.14
Belgium 5½ 03	1000	94⅜	94½	+⅛	6.42
BFCE 7¼ 97	150	102¼	102⅝		5.88
British Columbia 7¼ 02	600	107¼	107⅝	+⅛	6.36
British Gas 0 21	1500	14⅝	15		7.68
Canada 6½ 97	2000	101¼	101⅜	+⅛	5.65
Cheung Kong Fin 5½ 98	500	95⅞	96⅝	+⅛	7.13
China 6½ 04	1000	96	96⅝		7.27
Credit Foncier 9½ 99	300	110¼	110½		5.99
Denmark 5¾ 98	1000	100⅛	100⅜	+⅛	5.67
East Japan Railway 6⅝ 04	600	100¾	101⅛	+¼	6.50
ECSC 8¾ 98	193	102⅞	102⅝		5.85
EIB 6 04	500	97⅞	98	+¼	6.35
EIB 9¼ 97	1000	106¾	107		5.60
Elec de France 9 98	200	106½	106⅞		5.91
Ex-Im Bank Japan 8 02	500	108¾	109	+⅛	6.31
Export Dev Corp 9½ 98	150	108½	108⅞	+⅛	5.94
Fed Home Loan 7¼ 99	1500	104⅛	104¼	+⅛	5.95
Federal Natl Mort 7.40 04	1500	107⅞	107⅝	+⅛	6.38
Finland 6¾ 97	3000	102	102¼		5.77
Ford Motor Credit 6¼ 98	1500	100⅝	100¾	+⅛	6.04
Ind Bk Japan Fin 7⅞ 97	200	102⅞	102⅝	+⅛	6.04
Inter-Amer Dev 7½ 05	500	107⅞	107⅝	+¼	6.42
Intl Finance 5¼ 99	500	98⅝	98⅞	+⅛	5.73
Italy 6 03	2000	98¼	98½	+⅛	6.73
Italy 6⅞ 23	3500	92½	93	+⅛	7.66
Japan Dev Bk 6½ 01	500	102⅞	102⅞	+⅛	6.18
Korea Elec Power 6⅜ 03	1350	97⅝	98⅛		6.68
LTCB Fin 8 97	200	101⅞	102⅛		6.26
Matsushita Elec 7¼ 02	1000	104⅞	105¼		6.45
Norway 7¼ 97	1000	102	102¼		5.71
Ontario 7⅜ 03	3000	105¼	105½	+⅛	6.55
Oster Kontrollbank 8½ 01	200	110⅜	110⅝	+⅛	6.14
Portugal 5¾ 03	1000	96¼	96½	+⅛	6.46
Quebec Hydro 9¾ 98	150	108⅞	109¼	+⅛	6.27
Quebec Prov 9 98	200	105⅞	106¼		6.28
SAS 10 99	200	110¼	110¾	+¼	6.42
SNCF 9½ 98	150	108⅝	109		5.91
Spain 6½ 99	1500	101¾	102	+⅛	5.98
Sweden 6½ 03	2000	101¼	101½	+⅛	6.38
TENNESSEE VALLEY 6 00	1000	100¼	100⅜	+⅛	6.03
Tennessee Valley 6⅜ 05	2000	100⅝	100⅞	+⅛	6.39
Tokyo Elec Power 6⅝ 03	1000	97⅞	98¼		6.46
Toyota Motor 5⅝ 98	1500	99¾	100		5.73
United Kingdom 7¼ 02	3000	105⅞	106⅛		6.20
World Bank 6⅜ 05	1500	101	101⅛	+⅛	6.33
World Bank 8⅜ 99	1500	108⅝	108⅞	+⅛	5.94
World Bank 8¼ 97	1500	104⅛	104⅜		5.48
Sweden 8 97	2500	105⅝	105¾		4.43
United Kingdom 7¼ 97	5500	105¼	105½		4.27
Volkswagen Intl Fin 7 03	1000	103¼	103⅜	+⅝	6.43
World Bank 0 15	2000	27¼	27½	+⅝	6.68
World Bank 5⅞ 03	3000	97¾	97⅞	+⅛	6.24
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	90½	91	+⅛	7.30
Baden-Wuertt L-Finance 6 99	2000	103¼	103¾	+⅛	4.80
Credit Foncier 7¼ 03	2000	102	102⅜	-⅛	6.88
Denmark 6⅛ 98	2000	103⅝	103⅞		4.50
Depfa Finance 6⅝ 03	1500	99	99¼	-⅛	6.54
Deutsche Bk Fin 7½ 03	2000				
EEC 6½ 00	2900	104⅝	104¾	+⅛	5.27
EIB 6¼ 00	1500	103⅞	104⅛	+⅛	5.29
Finland 7½ 00	3000	107⅞	108	+⅛	5.38
Italy 7¼ 98	5000	105⅛	105½		4.66
LKB Baden-Wuertt 6½ 08	2250	96⅝	97	+⅛	6.90
Norway 6⅛ 98	1500	103¾	104		4.48
Ontario 6¼ 04	1500	97¾	97⅞	+⅛	6.61
Spain 7¼ 03	4000	105¼	105¾	+⅛	6.32
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	38	38½	+⅞	4.90
Austria 4½ 00	1000	105¾	106		3.03
Council Europe 4¾ 98	250	104½	105½	-½	2.67
Denmark 4¼ 99	1000	104⅞	105⅛		2.90
EIB 3¾ 99	1000	103	103⅛	+⅛	2.76
EIB 6¾ 04	300	114¾	115½	+⅞	4.69
Finland 7¼ 99	300	114	114½		3.36
Iceland 7⅞ 00	100	115¼	115½		4.00
Inter Amer Dev 4¼ 03	600	105	105¼	+¼	3.99
Ontario 6¼ 03	400	111¾	112		4.31
Quebec Hydro 5 08	100	98½			5.16
SNCF 7 04	450	119½	119¾	+¼	4.31
Sweden 4¾ 03	500	104	104½		4.13
World Bank 0 21	700	28⅝	29⅛	+⅛	4.92
World Bank 7 01	600	116		+⅛	3.63
YEN STRAIGHTS					
Belgium 5 99	75000	113½	113¾	-⅛	1.57
Credit Foncier 4¾ 02	75000	110¼	110½	-⅛	3.04
EIB 6⅝ 00	100000	120½	120¾	-⅛	1.68
Ex-Im Bank Japan 4⅜ 03	105000	110⅞	111⅛	-⅛	2.82
Inter Amer Dev 7¼ 00	30000	123½	123¾		1.77
Italy 3½ 01	300000	105⅛	105¼	-⅛	2.53
Japan Dev Bk 5 99	100000	113½	113¾	-⅛	1.40
Japan Dev Bk 6½ 01	120000	123	123⅛	-⅛	2.28
Norway 5⅜ 97	150000	108¾	108⅞		0.36
SNCF 6¾ 00	30000	120⅞	121⅛	-⅛	1.68
Spain 5¾ 02	125000	118¾	119	-⅛	2.52
Sweden 4⅝ 98	150000	108½	108⅝		0.78
World Bank 5¼ 02	250000	117⅛	117¼	-⅛	2.34
OTHER STRAIGHTS					
Finland 8 04 LFr	5000	104⅞	105⅜	+½	7.27
Genfinance Lux 9⅛ 99 LFr	1000	107⅞	108⅞		6.46
IKB Deut Industbk 8½ 03 LFr	3000	105½	106½		7.47
ABN Amro 6⅝ 00 Fl	1000	104¼	104½		5.50
Bank Ned Gemeenten 7 03 Fl	1500	104	104½		6.29
Bell Canada 10⅝ 99 C$	150	109⅝	110⅛		7.50
British Columbia 7¾ 03 C$	1250	99¾	100⅛		7.94
Canada Mtg & Hsg 8¾ 99 C$	1000	103⅝	103⅞	+⅛	7.24
EIB 10⅛ 98 C$	130	106¾	107½	-⅛	6.95
Elec de France 9¾ 99 C$	275	107⅞	108¼	+⅛	7.30
KfW Int Fin 10 01 C$	400	109¾	110¼		7.88
Nippon Tel Tel 10¼ 99 C$	200	109½	109⅞	+⅛	7.37
Ontario 8 03 C$	1600	100¼	101		8.02
Ontario Hydro 10⅞ 99 C$	500	110¼	110⅝		7.31
Oster Kontrollbank 10¼ 99 C$	150	108¼	108¾		7.29
Quebec Hydro 7 04 C$	1000	92¼	92⅞	+⅛	8.48
Quebec Prov 10½ 98 C$	200	108¼	108⅝		7.37
Council Europe 9 01 Ecu	1100	108¾	109	+⅛	7.16
Credit Foncier 8⅞ 04 Ecu	1000	100½	100⅞	+⅛	8.28
Denmark 8½ 02 Ecu	1000	106¼	106½		7.24
EC 6 00 Ecu	1000	96⅞	97	+⅛	6.76
EIB 10 97 Ecu	1125	105¼	105⅝		5.81
Ferro del Stat 10⅛ 98 Ecu	500	107¼	107⅝		6.99
Italy 10⅝ 00 Ecu	1000	113⅜	113⅝	+⅛	7.10
United Kingdom 9⅛ 01 Ecu	2750	109¼	109½	+⅛	6.99
AIDC 10 99 A$	100	105	105½		8.31
Comm Bk Australia 13¾ 99 A$	100	117	117½		8.39
EIB 7¾ 99 A$	350	100¾	101⅛	+⅛	7.64
NSW Treasury Zero 0 20 A$	1000	11⅛	11¼	+⅛	9.17
R & I Bank 7¾ 03 A$	125	93⅝	94⅛	+⅛	8.98
State Bk NSW 9 02 A$	300	101⅝	102⅛	-⅛	8.67
Sth Aust Govt Fin 9 02 A$	150	101	101⅝	-⅛	8.78
Unilever Australia 12 98 A$	150	108⅛	108⅝	-⅛	8.09
Western Aust Treas 7¾ 98 A$	100	99¼	99⅝	+¼	7.93
Abbey Natl Treasury 8 03 £	1000	98⅞	99⅛	+⅛	8.20
Alliance Leics 11⅞ 97 £	100	106	106¼	+⅛	6.82
British Land 8⅞ 23 £	150	92¾	93⅛	+⅛	9.86
Denmark 6¾ 98 £	800	98⅞	99⅛	+⅛	7.20
EIB 8 03 £	1000	100⅛	100⅜	+⅛	7.95
Halifax 10⅜ 97 £	100	104⅛	104½		6.90
Hanson 10⅜ 97 £	500	105⅝	105⅞	+⅛	7.15
HSBC Holdings 11.69 02 £	153	115¼	115⅝		8.59
Italy 10½ 14 £	400	110⅛	110⅜	+¼	9.32
Japan Dev Bk 7 00 £	200	98	98⅜		7.50
Land Secs 9½ 07 £	200	104¼	104½	+⅛	8.88
Ontario 11⅛ 01 £	100	113⅛	113½		7.95
Powergen 8⅞ 03 £	250	102⅞	103⅛	+⅛	8.32
Severn Trent 11½ 99 £	150	111¾	112⅛	+⅛	7.67
Tokyo Elec Power 11 01 £	150	113½	113⅞	+⅛	7.86
TCNZ Fin 9¼ 02 NZ$	75	108¼	109¼		7.61
World Bank 12½ 97 NZ$	250	107½	108		7.84
Credit Local 6 01 FFr	7000	96	96¼	+⅛	6.83
Elec de France 8¾ 22 FFr	3000	108	108½	+⅛	8.01
SNCF 9¼ 97 FFr	4000	104¼	104½		5.98

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.71	99.77	5.8125
Bankamerica ⅛ 99	750	99.64	99.74	6.0000
Belgium 1/16 97 DM	500	100.10	100.20	4.4375
Canada -⅛ 99	2000	99.32	99.39	5.6250
CCCE 0 06 Ecu	200	99.40	99.57	5.6797
Commerzbk O/S Fin -⅛ 98	750	99.58	99.65	5.7500
Credit Lyonnais 1/16 00	300	97.95	98.26	5.8750
Credit Lyonnais 0.30 98	1250	100.04	100.13	6.2375
Denmark -⅛ 97	1000	99.95	100.01	5.7500
Dresdner Finance 1/16 98 DM	1000	100.03	100.12	4.1484
Ferro del Stat 0.10 97	420	100.04	100.19	6.1250
Finland 0 97	1000	100.01	100.08	5.7500
Finland -⅛ 99	1500	99.71	99.78	5.7812
IMI Bank Intl ¼ 99	500	99.98	100.08	6.1484
Italy 1/16 99	1500	99.75	99.83	6.0000
Italy ¼ 98	2000	100.04	100.13	6.1250
LKB Baden-Wuert Fin -⅛ 98	1000	99.83	99.90	5.6875
Lloyds Bank Perp S 0.10	600	82.13	82.88	5.9855
Malaysia 1/16 05	650	99.47	99.68	6.0000
New Zealand -⅛ 99	1000	99.79	99.88	5.8125
Nova Scotia 1/16 99	500	99.83	99.94	6.0625
Ontario 0 99	2000	99.67	99.76	5.9375
Renfe 0 98	500	99.62	99.78	6.0625
State Bk Victoria 0.05 99	125	99.86	100.11	5.9409
Sweden 0 98	1500	100.00	100.07	5.8750
Sweden -⅛ 01	2000	99.35	99.41	5.7500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	99¼	100¼	+82.03
Chubb Capital 6 98	250	86	111¾	112⅝	+2.79
Gold Kalgoorlie 7½ 00	65	1.0554	105¾	108	+33.87
Grand Metropolitan 6½ 00	710	4.37	112⅝	113¾	+11.74
Hanson 9½ 06 £	500	2.48	100¼	101⅛	+28.79
Hanson America 2.39 01	420	29.6375	81¼	81⅞	+65.36
Hong Kong Land 4 01	410	31.05	82⅞	83⅝	-16.89
Land Secs 6¾ 02 £	84	6.72	96¼	98⅛	+11.13
Lasmo 7¾ 05 £	90	5.64	89⅝	90⅝	
Mitsui Bank 2⅝ 03	200	2332.6	78	79⅞	+38.05
Mount Isa Fin 6½ 97	100	2.283	97⅝	98⅝	+63.19
Natl Power 6¼ 08 £	250	4.33	114½	115½	-0.94
Ogden 6 02	85	39.077	93⅝	95	+75.28
Pennzoil 4¾ 03	500	56.8097	95½	96¾	+17.83
Sumitomo Bank 3¾ 04	300	3606.9	80⅞	81⅞	+28.48
Sun Alliance 7¼ 08 £	155	3.9	102¼	103¼	+11.70
Transatlantic Hldgs 5½ 09 £	250	5.05	79¼	80½	+18.41

- No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)						
Treas 14pc 1996	13.82	6.55	101⅜	-1/16	106⅞	101 1/16
15¼pc 1996‡‡	14.65	6.40	104⅛	—	109⅝	104⅛
Exch 13¼pc 1996‡‡	12.83	6.41	103 5/16xd	—	107¼	103⅛
Conversion 10pc 1996	9.66	6.36	103 15/32xd	—	104 15/32	103⅛
Treas 13¼pc 1997‡‡	12.31	6.43	107⅝	-1/16	109 29/32	107 13/32
Exch 10½pc 1997	10.02	6.46	104 27/32	—	105 25/32	104⅛
Treas Cnv 7pc 1997‡‡	6.96	6.55	100⅝	—	100 13/32	97⅝
Treas 8¾pc 1997‡‡	8.45	6.59	103½	—	103 23/32	100 1/16
Exch 15pc 1997	13.05	6.65	114 27/32	—	117 3/16	114 13/32
9¾pc 1998	9.30	6.72	105 13/32	+1/16	107 3/16	102¼
Treas 7¼pc 1998‡‡	7.18	6.80	100 13/32	+⅛	101⅛	96 5/16
Treas 6¾pc 1995-98‡‡	6.77	6.86	99 13/16	+1/16	99 13/16	94 17/32
Treas 15½pc '98‡‡	12.72	6.95	121 13/16	+⅛	124¼	120⅝
Exch 12pc 1998	10.58	6.99	113⅜xd	+1/16	114 3/16	109 25/32
Treas 9½pc 1999‡‡	8.89	7.00	106⅝	+1/16	107 5/16	100⅞
Treas Flg Rate 1999	-	-	100 3/16xd	—	100 11/32	99 13/16
Exch 12¼pc 1999	10.63	7.05	115¼	+⅛	116 3/16	111 3/16
Treas 10½pc 1999	9.50	7.08	110 15/32xd	+1/16	110 25/32	105 13/16
Treas 6pc 1999‡‡	6.23	7.10	96⅜	+1/16	96 3/16	89 13/16
Conversion 10¼pc 1999	9.28	7.18	110 15/32xd	+1/16	110 15/16	105⅛
Conv 9pc 2000‡‡	8.45	7.20	106 17/32	+1/16	106 15/16	100 17/32
Treas 13pc 2000	10.65	7.30	122 3/16	+⅛	123 1/16	117
14pc 1998-1	12.06	6.91	116¼xd	+1/16	117¾	114 3/16
Five to Fifteen Years						
Treas 8pc 2000‡‡	7.76	7.23	103¼xd	+1/16	103 13/16	96 5/16
10pc 2001	8.99	7.38	111 3/16	+3/32	111 13/16	104 13/16
7pc 2001‡‡	7.15	7.43	97⅞	+1/16	98 3/16	90 13/16
9¾pc 2002	8.77	7.58	111 3/16	+⅛	111⅝	103 13/16
8pc 2003‡‡	7.85	7.65	101⅞xd	+⅛	102 3/16	94⅝
10pc 2003	8.83	7.70	113 3/16	+1/16	113 13/16	105⅞
Treas 11½pc 2001-4	9.81	7.51	117 3/16	+1/16	118	110 13/16
Funding 3½pc 1999-4	4.37	6.52	80⅝	+1/16	80⅝	70½
Conversion 9½pc 2004	8.59	7.81	110⅝	+1/16	111 13/16	103 3/16
Treas 6¾pc 2004‡‡	7.26	7.83	93 5/16xd	+1/16	93 3/16	86 5/16
Conv 9½pc 2005	8.59	7.87	110⅝	+1/16	111 13/16	103⅝
Treas 12½pc 2003-5	9.81	7.82	127¼xd	+1/16	128 13/16	119 13/16
Treas 8½pc 2005‡‡	8.13	7.83	104 15/32xd	+1/16	105 13/16	97⅝
7½pc 2006‡‡	7.69	7.83	97 13/32xd	+1/16	97⅝	94 13/16
7¾pc 2006‡‡	7.85	7.90	98 25/32	+1/16	99 13/16	92⅛
8pc 2002-6‡‡	7.94	7.88	100 13/16	-1/16	101 3/16	93¼
Treas 11¾pc 2003-7	9.89	7.75	127⅞	+1/16	129 13/16	113 13/16
Treas 8½pc 2007‡‡	8.16	7.93	104⅛	+1/16	105 13/16	97 13/16
13½pc 2004-8	10.06	7.82	134 3/16	+1/16	135 13/16	126 3/16
Treas 9pc 2008‡‡	8.32	7.95	108 3/16	+1/16	110 3/16	101⅛
Treas 8pc 2009	8.00	7.96	99 15/16	+1/16	102 3/16	94
Over Fifteen Years						
Treas 6 1/4pc 2010	7.39	8.03	84 3/16xd	+⅛	86 13/16	79 3/16
Conv 9pc Ln 2011‡‡	8.30	8.03	108 13/16	+1/16	111 3/16	101 13/16
Treas 9pc 2012‡‡	8.28	8.03	108 13/16	+¼	111 13/32	102 3/16
Treas 5½pc 2008-12‡‡	6.95	7.71	79 3/16	—	80⅝	72⅛
Treas 8pc 2013‡‡	8.03	8.02	99 13/16	+1/16	102¼	93 13/16
7¾pc 2012-15‡‡	8.03	8.03	96½	+1/16	99 13/16	91 13/16
8pc 2015	8.01	8.00	99⅞xd	+1/16	102 13/16	93 13/16
Treas 8¾pc 2017‡‡	8.18	8.05	106 13/16	+1/16	110 13/16	100 13/16
Exch 12pc 2013-17	8.78	8.10	136⅝xd	+⅛	139 13/16	127 3/16
Undated						
Consols 4pc	8.28	-	48 3/16	+⅛	49 13/16	45⅛
War Loan 3½pc‡‡	8.09	-	43 5/16xd	+1/16	45 3/16	40 13/16
Conv 3½pc '61 Aft.	5.79	-	60 13/16	+1/16	61 3/16	57 13/16
Treas 3pc '66 Aft.	8.26	-	36 3/16	—	37 3/16	34¼
Consols 2½pc	8.10	-	30⅞	+1/16	31⅞	28 13/16
Treas. 2½pc	8.26	-	30¼	—	31⅝	28⅛

Notes		Yield (1)	Yield (2)	Price £	+ or -	1995 High	1995 Low
Index-Linked	(b)						
2pc '96	(67.9)	0.35	3.19	214 5/16	—	214 5/16	201 3/16
4⅝pc '98‡‡	(135.6)	2.00	3.07	112¼	+1/16	112¼	108 3/16
2½pc '01	(78.3)	3.09	3.55	177⅞	+⅛	177 13/16	165 13/16
2½pc '03	(78.8)	3.23	3.59	173 3/16xd	+⅛	173⅞	161 13/16
4⅜pc '04‡‡	(135.6)	3.25	3.58	114¾	+1/16	115 13/16	108 3/16
2pc '06	(69.5)	3.34	3.59	181⅞	—	183 3/16	169 3/16
2½pc '09	(78.8)	3.39	3.60	164 13/16xd	+1/16	165 13/16	152 3/16
2½pc '11	(74.6)	3.43	3.62	170⅝	—	171⅝	157 3/16
2½pc '13	(89.2)	3.48	3.63	140⅝	—	141 3/16	128 3/16
2½pc '16	(81.6)	3.50	3.66	149⅞	+1/16	150 13/16	137⅝
2½pc '20	(83.0)	3.54	3.68	143 13/16	+1/16	144 13/16	131 13/16
2½pc '24‡‡	(97.7)	3.54	3.66	119 13/16	+1/16	120 13/16	109¼
4⅛pc '30‡‡	(135.1)	3.54	3.67	118¾	+1/16	119 13/16	108 3/16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for February 1995: 146.9 and for September 1995: 150.6.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Asian Dev 10¼pc 2009	8.97	8.46	114¼	—	116 3/16	108 13/16
B'ham 11½pc 2012	9.47	9.00	121½	—	122½	116½
Ireland Cap 8½pc '10	8.04	-	105¾	—	106	95¼
9pc Cap 1996	8.65	-	104	—	104⅜	100
13pc '97-2	11.72	-	110⅞	—	111⅞	107
Hydro Quebec 15pc 2011	10.28	9.34	145 13/16	—	154 13/16	139 13/16
Leeds 13½pc 2006	10.34	-	130½	—	133½	125½
Liverpool 3½pc Irred	10.61	-	33	—	40	33
LCC 3pc '20 Aft	8.96	-	33½	—	34½	27¼
Manchester 11½pc 2007	8.70	8.65	118½	—	119½	113½
Met. Wtr. 3pc 'B'	4.27	8.39	70¼	—	72	69¼
N'wide Anglia 3⅞pc 2021	0.03	4.53	137	—	143½	130½
4⅛pc IL 2024	-	4.48	131½	—	138½	123⅞
Utd Mex States 16½pc 2008	13.36	-	123½	—	138	113½

♦ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies as debt default fears recede

By Philip Gawith

The dollar yesterday rallied on the foreign exchanges after the announcement of a revised schedule of Treasury auctions appeared to diminish the prospect of a default on the US government's debt.

The upward trend was established by the bond market, with the dollar following suit. The speed of the rally was accelerated by short covering from traders who were surprised by the initial move.

Markets appeared to take comfort from the fact that the announcement of a treasury auction was indicative of business as usual, rather than the sort of cataclysmic breakdown in government which has dominated recent discussion.

After trading around DM1.4075 and Y100.5, it made sharp gains in afternoon trading to finish in London at DM1.4195 and Y101.725, from DM1.4123 and Y100.7 on Friday.

Elsewhere, sterling lost ground against both the D-Mark and the dollar, as weekend press speculation about large tax cuts in the upcoming budget weighed on sentiment. It finished at DM2.2125, from DM2.2248, and at $1.5587, from $1.5753. Most of the fall took place during Asian trading. The trade weighted index closed at 83.3, from 83.8.

After the late rally in the dollar, most European currencies ended slightly firmer against the D-Mark. The French franc finished at FFr3.447, from FFr3.452, against the D-Mark, while the lira closed at L1,125, from L1,130.

■ The catalyst for the dollar's rally was the combination of the US treasury announcing a schedule of auctions, Mr Robert Rubin, the treasury secretary, saying that the US would not default, and President Clinton vetoing legislation that would have raised the US debt ceiling.

Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said these developments had "taken some of the risk out of the market short-term." He said that while the vetoing of the debt limit extension bill was not in itself dollar positive, it had benefited the currency because passage of the bill would have meant almost certain default in mid-December. It now appeared, he said, that the US government could fund itself through until early January.

The fact that the Treasury announced the series of auctions was taken as a signal of confidence that funding was available with or without a debt limit extension.

Mr David Cocker, economist at Chemical Bank in London, said the dollar had managed to recoup the losses suffered at the end of last week when concerns about debt default unsettled markets.

The dollar's rally yesterday was clearly a case of winning the battle, rather than the war. Mr Dave Munro, chief US economist at High Frequency Economics in New York, predicts that while there will only be a "derailment" this week, "there will be a trainwreck over the budget in December. Mr Clinton and the GOP will collide with real force after he vetoes their budget package."

He reports that tempers are getting frayed in Washington, and says the Federal Reserve is concerned "if impaired Treasuries wash out the bedrock under the markets. There are worries at the Fed about a repeat of black Monday 1987..."

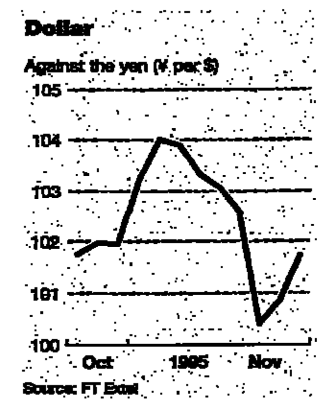
■ In Europe, the main focus was with Mr Hans Tietmeyer, the Bundesbank president, who endorsed the proposal, floated last week by Mr Theo Waigel, the German finance minister, of a post-EMU stability pact as a means of enforcing fiscal discipline. He also said that EMU should be delayed if either France or Germany was unable to qualify.

Mr Tietmeyer's comments came on a day when two out of three Germans polled said they believed a single currency would leave them worse off.

Markets will get a greater idea of the sort of fiscal stringency that can be expected in France when Mr Jean Arthuis, the French finance minister, presents details of a revised mini-budget on Wednesday.

■ The Bank of England provided £661m assistance towards clearing a £850m money market shortage. Three month LIBOR traded at 6 11/16 per cent.

Short sterling futures performed positively after signs that inflationary pressures were abating at the producer level. The March 1996 contract gained seven basis points on the day to finish at 93.61.



■ Pound in New York

Nov 13	—Latest—	— Prev. close —
£ spot	1.5590	1.5765
1 mth	1.5549	1.5744
3 mth	1.5528	1.5724
1 yr	1.5420	1.5610

■ OTHER CURRENCIES

Nov 13	£	$
Czech Kr	40.9095 - 40.9425	26.2620 - 26.2620
Hungary	207.441 - 207.812	133.120 - 133.170
Iran	4677.00 - 4674.50	3000.00 - 3000.00
Kuwait	0.4670 - 0.4674	0.2997 - 0.2998
Poland	3.8372 - 3.8464	2.4624 - 2.4634
Russia	7084.89 - 7084.63	4544.00 - 4548.00
U.A.E.	5.7235 - 5.7285	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Nov 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5688	-0.0849	587 - 788	15.5948	15.5039	15.5384	2.3	15.4798	2.3	-	-	107.0
Belgium	(BFr)	45.4814	-0.2323	400 - 228	45.8930	45.2910	45.3764	2.8	45.1814	2.6	44.3984	2.4	109.5
Denmark	(DKr)	8.5604	-0.0496	781 - 848	8.6137	8.5496	8.5727	1.1	8.5582	1.1	8.4937	1.0	110.0
Finland	(FM)	6.6474	-0.0371	410 - 537	6.6860	6.5860	6.643	0.8	6.6349	0.7	-	-	87.4
France	(FFr)	7.8262	-0.0522	240 - 324	7.8806	7.8164	7.8248	0.5	7.8371	-0.5	7.8338	-0.1	110.7
Germany	(DM)	2.2125	-0.0123	112 - 138	2.2217	2.2029	2.2077	2.6	2.198	2.6	2.1566	2.5	112.1
Greece	(Dr)	366.002	-2.484	842 - 162	367.594	364.997	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9748	-0.0015	739 - 756	0.9769	0.9737	0.974	1.0	0.9727	0.9	0.9695	0.5	96.9
Italy	(L)	2480.79	-24.78	829 - 128	2505.23	2468.29	2497.04	-3.5	2511.34	-3.8	2580.99	-3.6	70.1
Luxembourg	(LFr)	45.4814	-0.2323	400 - 228	45.8930	45.2910	45.3764	2.8	45.1814	2.6	44.3984	2.4	109.5
Netherlands	(Fl)	2.4778	-0.0139	765 - 791	2.4864	2.4678	2.4721	2.7	2.4609	2.7	2.4132	2.5	109.6
Norway	(NKr)	9.7526	-0.0548	455 - 597	9.8084	9.6816	9.7506	1.5	9.7284	1.4	9.6529	1.1	96.9
Portugal	(Es)	232.894	-1.322	763 - 024	234.567	231.871	233.434	-2.8	234.654	-3.0	-	-	95.2
Spain	(Pta)	190.482	-1.328	380 - 744	191.798	190.148	191.182	-4.1	192.102	-3.6	195.502	-3.1	81.3
Sweden	(SKr)	10.4111	-0.0558	029 - 193	10.4717	10.3928	10.4133	-0.3	10.4178	-0.3	10.4412	-0.3	85.9
Switzerland	(SFr)	1.7834	-0.0085	824 - 843	1.7853	1.7723	1.7763	4.8	1.7645	4.3	1.7115	4.0	118.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.3
Ecu	-	1.2081	-0.009	075 - 087	1.2145	1.2048	1.2071	1.0	1.205	1.0	1.1966	1.0	-
SDR†	-	1.04858	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5581	-0.0157	577 - 585	1.5698	1.5567	-	-	-	-	-	-	-
Brazil	(R$)	1.4991	-0.0152	986 - 996	1.5170	1.4974	-	-	-	-	-	-	-
Canada	(C$)	2.1059	-0.0232	050 - 067	2.1203	2.1042	2.107	-0.6	2.109	-0.6	2.1128	-0.3	84.5
Mexico	(New Peso)	12.1497	-0.0038	768 - 226	12.2423	11.9122	-	-	-	-	-	-	-
USA	($)	1.5587	-0.0186	583 - 590	1.5700	1.5567	1.5576	0.8	1.5555	0.8	1.5441	0.9	93.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1101	-0.0238	089 - 113	2.1115	2.1077	2.1114	-0.7	2.1143	-0.8	2.129	-0.9	84.9
Hong Kong	(HK$)	12.0534	-0.1264	503 - 565	12.1419	12.0387	12.0499	0.3	12.0374	0.5	12.0038	0.4	-
India	(Rs)	53.8436	-0.5437	925 - 946	54.2890	53.7810	-	-	-	-	-	-	-
Israel	(Shk)	4.7050	-0.0448	998 - 102	4.7337	4.6995	-	-	-	-	-	-	-
Japan	(Y)	158.554	-0.079	479 - 628	158.720	157.080	157.894	6.5	155.899	6.7	148.854	6.1	141.2
Malaysia	(M$)	3.9556	-0.0343	536 - 572	3.9784	3.9506	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3941	-0.0189	926 - 955	2.3980	2.3906	2.4	-3.0	2.4093	-2.5	2.4349	-1.7	100.7
Philippines	(Peso)	40.6954	-0.4504	093 - 894	40.7933	40.6042	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8458	-0.0625	442 - 473	5.8880	5.8387	-	-	-	-	-	-	-
Singapore	(S$)	2.2032	-0.0215	019 - 044	2.2173	2.1999	-	-	-	-	-	-	-
South Africa	(R)	5.6686	-0.0573	660 - 709	5.7088	5.6625	-	-	-	-	-	-	-
South Korea	(Won)	1198.13	-13.35	771 - 856	1208.65	1196.79	-	-	-	-	-	-	-
Taiwan	(T$)	42.3969	-0.4284	811 - 126	42.6893	42.3500	-	-	-	-	-	-	-
Thailand	(Bt)	39.2312	-0.3403	068 - 556	39.4460	39.1670	-	-	-	-	-	-	-

† Rates for Nov 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.9886	+0.0516	844 - 928	9.9940	9.9020	9.9735	1.8	9.9434	1.8	9.8341	1.5	107.0
Belgium	(BFr)	29.1800	+0.1615	600 - 000	29.2650	28.8950	29.139	1.7	29.06	1.6	28.78	1.4	109.1
Denmark	(DKr)	5.5050	+0.0265	035 - 065	5.5095	5.4590	5.5057	-0.2	5.5015	0.3	5.511	-0.1	109.1
Finland	(FM)	4.2648	+0.0215	617 - 679	4.2681	4.2103	4.2644	0.1	4.2633	0.1	4.2588	0.1	87.4
France	(FFr)	4.8941	+0.0186	925 - 957	4.9042	4.8640	4.8954	-0.3	4.8979	-0.3	4.9104	-0.3	110.1
Germany	(DM)	1.4195	+0.0072	190 - 200	1.4215	1.4070	1.4175	1.7	1.4133	1.7	1.3977	1.5	111.5
Greece	(Dr)	234.820	+0.905	770 - 870	235.300	233.070	236.545	-8.8	239.745	-8.4	253.22	-7.8	66.2
Ireland	(I£)	1.5990	-0.0146	980 - 000	1.6095	1.5970	1.5992	-0.1	1.5993	-0.1	1.6058	-0.4	-
Italy	(L)	1591.40	+1.15	880 - 400	1601.04	1582.50	1604.15	-8.1	1616.2	-4.7	1673.4	-4.8	69.3
Luxembourg	(LFr)	29.1800	+0.161	600 - 000	29.2650	28.8950	29.139	1.7	29.06	1.6	28.78	1.4	109.1
Netherlands	(Fl)	1.5897	+0.008	892 - 902	1.5960	1.5758	1.5887	2.0	1.5818	2.0	1.5619	1.7	109.0
Norway	(NKr)	6.2570	+0.0251	510 - 630	6.2720	6.1891	6.2587	0.7	6.2535	0.6	6.2435	0.3	97.9
Portugal	(Es)	149.420	+0.74	370 - 470	149.800	148.180	149.885	-3.7	150.895	-3.9	155.52	-4.1	95.3
Spain	(Pta)	122.325	+0.45	300 - 350	122.580	121.450	122.705	-3.7	123.475	-3.8	126.97	-3.6	80.9
Sweden	(SKr)	6.6796	+0.0352	758 - 833	6.6873	6.6389	6.697	-3.1	6.7336	-3.2	6.9021	-3.3	85.4
Switzerland	(SFr)	1.1442	+0.0067	438 - 445	1.1456	1.1312	1.1406	3.8	1.1345	3.4	1.1087	3.3	116.2
UK	(£)	1.5587	-0.0186	583 - 590	1.5700	1.5567	1.5576	0.8	1.5555	0.8	1.5441	0.9	83.3
Ecu	-	1.2902	-0.0041	896 - 905	1.3001	1.2880	1.2906	-0.4	1.2913	-0.3	1.2935	-0.3	-
SDR†	-	0.65634	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-	996 - 997	1.0000	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9618	+0.0005	617 - 619	0.9680	0.9614	-	-	-	-	-	-	-
Canada	(C$)	1.3511	-0.0005	508 - 513	1.3513	1.3487	1.3527	-1.5	1.3559	-1.4	1.3681	-1.3	83.4
Mexico	(New Peso)	7.7950	+0.06	500 - 400	7.8400	7.7500	7.7973	-0.3	7.8004	-0.3	7.8053	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3537	-0.0008	534 - 543	1.3550	1.3425	1.3555	-1.6	1.3591	-1.6	1.3788	-1.9	85.1
Hong Kong	(HK$)	7.7333	+0.0003	330 - 335	7.7345	7.7330	7.7348	-0.2	7.7365	-0.2	7.757	-0.3	-
India	(Rs)	34.5450	+0.02	200 - 700	34.6100	34.4200	34.695	-5.2	35	-5.3	36.47	-5.6	-
Israel	(Shk)	3.0187	+0.0036	160 - 213	3.0215	3.0076	-	-	-	-	-	-	-
Japan	(Y)	101.725	+1.025	700 - 750	101.800	100.170	101.23	5.8	100.31	5.6	96.435	5.2	142.4
Malaysia	(M$)	2.5378	+0.005	373 - 383	2.5383	2.5340	2.5378	0.0	2.5381	-0.1	2.5459	-0.3	-
New Zealand	(NZ$)	1.5359	+0.0043	354 - 366	1.5367	1.5246	1.54	-4.4	1.5475	-3.0	1.5722	-2.4	-
Philippines	(Peso)	26.1100	-0.01	600 - 600	26.1600	26.0800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7503	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4135	+0.0013	130 - 140	1.4150	1.4112	1.4101	2.9	1.4038	2.8	1.379	2.4	-
South Africa	(R)	3.6368	+0.0021	360 - 375	3.6385	3.6355	3.6621	-8.3	3.7121	-8.3	3.9433	-8.4	-
South Korea	(Won)	768.700	-0.35	600 - 800	769.400	768.600	771.7	-4.7	776.2	-3.4	793.7	-3.3	-
Taiwan	(T$)	27.2010	+0.0155	970 - 050	27.2100	27.1950	27.221	-0.9	27.261	-0.9	-	-	-
Thailand	(Bt)	25.1700	+0.05	600 - 800	25.1800	25.1220	25.2575	-4.2	24.905	4.2	26.125	-3.8	-

† SDR rate per $ for Nov 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 10: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.87	16.77	4.866	2.144	5475	5.449	21.47	512.1	419.3	22.89	3.920	2.199	4.631	3.428	348.7	2.656
Denmark	(DKr)	53.01	10	8.890	2.579	1.136	2902	2.888	11.38	271.4	222.3	12.13	2.078	1.166	2.455	1.817	184.8	1.408
France	(FFr)	59.62	11.25	10	2.901	1.278	3264	3.249	12.80	305.3	250.0	13.65	2.337	1.311	2.761	2.044	207.9	1.584
Germany	(DM)	20.55	3.877	3.447	1	0.441	1125	1.120	4.412	105.2	86.17	4.704	0.806	0.452	0.952	0.704	71.67	0.546
Ireland	(I£)	46.65	8.800	7.824	2.270	1	2554	2.542	10.01	238.9	195.6	10.68	1.829	1.026	2.160	1.599	162.7	1.239
Italy	(L)	1.827	0.345	0.306	0.089	0.039	100.	0.100	0.392	9.353	7.659	0.418	0.072	0.040	0.085	0.063	6.369	0.049
Netherlands	(Fl)	18.35	3.462	3.078	0.893	0.393	1005	1	3.940	93.98	76.96	4.201	0.720	0.404	0.850	0.629	64.00	0.487
Norway	(NKr)	46.58	8.788	7.813	2.267	0.999	2550	2.538	10	238.5	195.3	10.66	1.826	1.024	2.157	1.597	162.5	1.237
Portugal	(Es)	19.53	3.684	3.275	0.950	0.419	1069	1.064	4.192	100.	81.88	4.470	0.766	0.429	0.904	0.669	68.10	0.519
Spain	(Pta)	23.85	4.499	4.000	1.160	0.511	1306	1.299	5.120	122.1	100.	5.459	0.935	0.524	1.104	0.818	83.17	0.633
Sweden	(SKr)	43.69	8.242	7.328	2.126	0.937	2392	2.380	9.378	223.7	183.2	10	1.713	0.961	2.023	1.498	152.4	1.160
Switzerland	(SFr)	25.51	4.812	4.278	1.241	0.547	1397	1.390	5.476	130.6	107.0	5.838	1	0.561	1.181	0.874	88.95	0.678
UK	(£)	45.48	8.580	7.628	2.213	0.975	2490	2.478	9.763	232.9	190.7	10.41	1.783	1	2.106	1.559	158.6	1.208
Canada	(C$)	21.60	4.074	3.622	1.051	0.463	1182	1.177	4.636	110.6	90.55	4.943	0.847	0.475	1	0.740	75.31	0.574
US	($)	29.17	5.504	4.893	1.419	0.625	1597	1.589	6.262	149.4	122.3	6.677	1.144	0.641	1.351	1	101.7	0.775
Japan	(Y)	28.68	5.410	4.810	1.395	0.615	1570	1.562	6.156	146.8	120.2	6.564	1.124	0.631	1.328	0.983	100.	0.762
Ecu		37.65	7.103	6.315	1.832	0.807	2061	2.051	8.082	192.8	157.9	8.618	1.476	0.828	1.743	1.291	131.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7075	0.7093	-0.0013	0.7121	0.7075	14,741	51,781
Mar	0.7106	0.7130	+0.0024	0.7150	0.7106	118	3,843
Jun	-	0.7157	+0.0022	0.7157	-	415	539

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8815	0.8809	-0.0009	0.8875	0.8815	11,048	34,328
Mar	0.8937	0.8943	+0.0045	0.8951	0.8910	102	2,148
Jun	0.9040	0.9040	-0.0065	0.9040	0.9005	10	489

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9972	0.9925	-0.0040	1.0034	0.9925	18,004	61,057
Mar	1.0135	1.0065	-0.0041	1.0151	1.0065	334	8,965
Jun	-	1.0237	-	-	-	28	388

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5644	1.5612	-0.0014	1.5690	1.5612	13,571	38,015
Mar	1.5632	1.5596	-	1.5636	1.5580	93	313
Jun	-	1.5600	-	1.5600	-	2	10

UK INTEREST RATES

LONDON MONEY RATES

Nov 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6½	6⅞ - 6 11/16	6 13/16 - 6⅝	6 13/16 - 6 11/16	6¾ - 6⅝	6 11/16 - 6 9/16
Sterling CDs	-	-	6 11/16 - 6 9/16	6⅝ - 6 9/16	6 9/16 - 6½	6 9/16 - 6½
Treasury Bills	-	-	6 9/16 - 6½	6 11/16 - 6 9/16	-	-
Bank Bills	-	-	6⅝ - 6 9/16	6 11/16 - 6½	6 7/16 - 6⅜	-
Local authority deps.	6 11/16 - 6 9/16	6⅝ - 6½	6 11/16 - 6 9/16	6⅝ - 6½	6⅝ - 6½	6 9/16 - 6 7/16
Discount Market deps	7¼ - 6¾	6¾ - 6 11/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.4647pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.35	93.38	+0.03	93.39	93.34	7779	78623
Mar	93.54	93.61	+0.06	93.62	93.54	14130	81987
Jun	93.55	93.62	+0.07	93.63	93.53	4055	47539
Sep	93.44	93.51	+0.06	93.52	93.43	3644	41255
Dec	93.24	93.31	+0.06	93.32	93.22	1247	28021

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.18	0.46	0.59	0.05	0.10	0.22
9350	0.06	0.29	0.43	0.18	0.18	0.31
9375	0.01	0.16	0.29	0.38	0.30	0.42

Est. vol. total, Calls 1075 Puts 1304. Previous day's open int., Calls 154442 Puts 143556

EMS EUROPEAN CURRENCY UNIT RATES

Nov 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09710	-0.00203	-2.56	7.04	19
Belgium	39.3960	38.5000	-0.0452	-2.27	6.73	17
Germany	1.91007	1.87277	-0.00202	-1.95	6.38	19
Austria	13.4383	13.1780	-0.014	-1.94	6.36	14
Spain	162.493	161.602	-0.163	-0.55	4.87	4
Denmark	7.28580	7.26277	-0.00994	-0.32	4.63	2
Portugal	195.792	197.204	-0.197	0.72	3.55	-5
France	6.40608	6.47535	-0.00042	1.08	3.18	-9
Ireland	0.792214	0.826262	+0.003218	4.30	0.00	-29
NON ERM MEMBERS						
Greece	292.867	310.312	+0.038	5.96	-1.57	-
Italy	2106.15	2120.33	+0.17	0.67	3.60	-
UK	0.786652	0.847822	+0.005038	7.78	-3.23	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	2.51	2.83	3.33	-	0.40	1.00
1.550	1.52	2.16	2.69	-	0.69	1.32
1.560	0.53	1.55	2.17	-	1.07	1.75
1.570	-	1.05	1.66	0.37	1.58	2.27
1.580	-	0.85	1.28	1.60	1.88	2.81
1.590	-	0.58	0.94	2.33	2.21	3.47

Previous day's vol., Calls 17,138 Puts 12,579. Prev. day's open int., Calls 286,898 Puts 295,228

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.27	-	94.27	94.24	26,891	353,205
Mar	94.60	94.63	+0.02	94.63	94.57	64,725	413,532
Jun	94.62	94.67	+0.02	94.67	94.61	56,151	304,292

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.70	94.70	-0.03	94.71	94.69	2,860	9,653
Mar	94.99	95.02	-	95.02	94.99	142	6,451
Jun	95.04	95.04	-0.02	95.04	95.04	152	549

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.06	0.12	0.33	0.36	0	0.04	0.04	0.07
9625	0	0.03	0.14	0.19	0.19	0.20	0.10	0.15
9650	0	0.01	0.04	0.09	0.44	0.43	0.25	0.30

Est. vol. total, Calls 13295 Puts 3925. Previous day's open int., Calls 248802 Puts 238083

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.26	0.52	0.58	0.02	0.05	0.10
9800	0.07	0.32	0.37	0.08	0.10	0.16
9825	0.02	0.16	0.21	0.26	0.19	0.25

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6785 Puts 2475

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES

November 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	4	4	4⅛	4¼	8.00	3.50	-
week ago	3½	4	4⅛	4⅛	4¼	8.00	3.50	-
France	6⅛	6⅛	6⅛	6	5⅞	5.00	-	6.60
week ago	6⅛	6⅛	6⅛	6⅛	6⅛	5.00	-	7.00
Germany	3⅝	4	4	3⅞	3⅞	5.50	3.50	4.02
week ago	3⅞	4	4	4⅛	4⅛	5.50	3.50	4.02
Ireland	5⅞	5¾	5¾	5¾	6⅛	-	-	6.25
week ago	5⅞	5¾	5¾	5¾	6	-	-	6.25
Italy	10⅝	10⅝	10⅝	10⅝	10⅝	-	9.00	10.60
week ago	10¾	10⅝	10⅝	10⅝	10⅝	-	9.00	10.77
Netherlands	3¾	3⅞	3⅞	3⅞	3¾	-	3.25	3.70
week ago	3¾	3⅞	3⅞	3⅞	3⅞	-	3.50	3.70
Switzerland	2	2⅛	2⅛	1⅞	2	5.00	2.00	-
week ago	2¼	2⅛	2⅛	2⅛	2⅛	5.00	2.00	-
US	5⅞	5¾	5¾	5⅝	5⅝	-	5.25	-
week ago	5¾	5⅞	5⅞	5⅝	5½	-	5.25	-
Japan	⅜	⅜	⅜	½	⅝	-	0.50	-
week ago	⅜	⅜	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5¾	5⅝	-	-	-
week ago	-	5⅞	5⅞	5¾	5⅝	-	-	-
US Dollar CDs	-	5.60	5.48	5.44	5.44	-	-	-
week ago	-	5.60	5.51	5.50	5.45	-	-	-
ECU Linked Ds	-	5½	5⅜	5⅜	5⅜	-	-	-
week ago	-	5½	5⅝	5⅝	5⅝	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4⅛ - 4	4⅛ - 4	[illegible]	[illegible]
Danish Krone	5½ - 5¼	5⅜ - 5⅛	5⅜ - 5 3/16	5½ - 5 5/16	[illegible]	[illegible]
D-Mark	4 - 3⅞	4 - 3⅞	4 - 3⅞	4 1/16 - 3 15/16	[illegible]	[illegible]
Dutch Guilder	3⅞ - 3¾	3⅞ - 3¾	3 27/32 - 3 23/32	3 27/32 - 3¾	[illegible]	[illegible]
French Franc	5⅞ - 5⅝	6⅛ - 5 15/16	6⅛ - 5 15/16	6⅛ - 6	[illegible]	[illegible]
Portuguese Esc.	8 15/16 - 8 13/16	8 13/16 - 8 11/16	8 15/16 - 8 13/16	9 1/16 - 8 15/16	[illegible]	[illegible]
Spanish Peseta	9½ - 9⅜	9 7/16 - 9⅜	9½ - 9⅜	9⅝ - 9 7/16	[illegible]	[illegible]
Sterling	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 27/32 - 6 11/16	6 13/16 - 6⅝	[illegible]	[illegible]
Swiss Franc	2 3/16 - 2 1/16	2 3/16 - 2 1/16	2 1/16 - 1 15/16	2 1/16 - 1 15/16	[illegible]	[illegible]
Can. Dollar	5 15/16 - 5⅝	6 - 5 13/16	5 15/16 - 5 13/16	6 - 5⅞	[illegible]	[illegible]
US Dollar	5¾ - 5½	5 13/16 - 5 11/16	5 13/16 - 5⅝	5⅞ - 5 11/16	[illegible]	[illegible]
Italian Lira	10 7/16 - 10 3/16	10½ - 10¼	10 11/16 - 10 7/16	10 13/16 - 10 9/16	[illegible]	[illegible]
Yen	½ - 7/16	17/32 - 13/32	13/32 - ¼	11/32 - 3/16	[illegible]	[illegible]
Asian $Sing	2 7/16 - 2 5/16	2 9/16 - 2 7/16	2 11/16 - 2 9/16	2 13/16 - 2 11/16	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.97	93.95	+0.01	94.05	93.84	28,978	43,674
Mar	94.38	94.33	-0.01	94.40	94.26	4,783	35,055
Jun	94.57	94.52	-0.01	94.58	94.48	1,754	33,043

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.07	96.08	+0.02	96.08	96.05	13503	126623
Mar	96.25	96.29	+0.04	96.29	96.25	14852	183848
Jun	96.26	96.28	+0.04	96.29	96.24	14036	128298
Sep	96.13	96.17	+0.05	96.18	96.12	10761	98479

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.40	89.47	+0.07	89.48	89.34	5301	26466
Mar	89.71	89.77	+0.06	89.78	89.65	2424	28350
Jun	89.86	89.93	+0.05	89.92	89.85	168	15206
Sep	89.97	90.02	+0.05	90.00	89.96	110	8009

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.00	97.99	+0.01	98.04	97.98	2632	21360
Mar	98.20	98.22	+0.02	98.25	98.20	2270	22313
Jun	98.19	98.21	+0.01	98.26	98.19	875	8150
Sep	98.13	98.14	+0.03	98.17	98.13	840	4069

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.39	94.43	+0.03	94.44	94.37	623	6061
Mar	94.58	94.63	+0.05	94.64	94.57	218	5087
Jun	94.60	94.64	+0.05	94.64	94.59	250	3090
Sep	94.50	94.54	+0.05	94.54	94.48	52	2125

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8925	0.39	0.84	1.05	0.17	0.32	0.37
8950	0.24	0.67	0.88	0.27	0.40	0.45
8975	0.14	0.53	0.73	0.42	0.51	0.55

Est. vol. total, Calls 500 Puts 0. Previous day's open int., Calls 14453 Puts 7318

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or −	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 5pc Cm 2nd Prf		50½xd	—	98	50¼	8.31	19.8	−
Cater Allen		488	−4	525	418	162.6	7.7	7.1
Close Bros		329	−1	340½	216¼	384.3	3.4	6
Gerrard & Nat		462xd	+1	490	395	229.5	6.1	14.9
Hambros		185	−10	253	180	327.6	5.1	46.6
7½pc Cv Pf		95½	−2	112	94	123.8	9.8	−
Joseph (L)		483	—	483	353	24.5	4.8	25.9
King & Shaxson		114	—	148	85	29.3	9.9	8.9
Rea Brothers		45	—	67	44	21.9	2.8	18.0
Schroders		1295	−5	1478	906¼	1,955	1.4	18.4
N/V		1088	—	1180	823¼	478.7	1.6	15.5
Singer & Fried		109	+1	119	81	214.4	4.2	11.3
8½pc Cv Ln 09/14		£133½	+1	£133½	£100	40.9	6.4	−
Union		112	−1	121	70	29.8	3.3	−
Wintrust		295	—	295	200	25.4	4.8	16.8

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Clemente Korea Emerging Growth Fund				
NAV Nov 7	$11.31		-0.35	
Credis Investment Funds	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
NAV	$20.10		—	
Morgan Stanley Sicav	[illegible]	[illegible]	[illegible]	[illegible]
Albany International Assurance Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Royal Skandia Life Assurance Ltd (z)	[illegible]	[illegible]	[illegible]	[illegible]
Chescor Indian Investment Company Ltd				
Smaller Cos Ptflio Nov 3	$5.35		—	
The China Fund				
NAV Nov 10	$7.63		—	
The China Invest & Development Fd Ltd				
Red Pfg Prof NAV Oct 31	$10.30		—	0.00
Citibank Global Asset Mgmt (Asia) Ltd				
Nippon Fd	$89.56		—	
Citizens Investment Trust Mgt Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Global Asset Management - Contd.	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Relief over US debt worry prompts Footsie rally

By Steve Thompson,
UK Stock Market Editor

A rescheduling of US bond auctions, designed to raise sufficient funds to meet interest payments due this week, took the heat off world financial markets yesterday and was greeted with a strong performance by UK equities.

Share prices in London closed at the day's best levels after the US news became known, but not before the stock market had endured a difficult morning and early afternoon session which saw nerves among traders being stretched to the limit by the US uncertainty.

Traders now face a week full to the brim with economic news, plus a long list of trading statements from no less than five FT-SE 100 stocks and a host of trading reports from Mid 250 constituents.

At the close the FT-SE 100 index was 13.4 higher at 3,536.8, recouping much of the ground lost last Friday, when increasing fears that the US might default on $35bn of interest payments spooked international markets.

The FT-SE Mid 250 index, on the other hand, was always in negative territory, dropping some 10 points early in the session before stabilising and closing 5.0 off at 3,897.3.

Dealers were quick to point out that the weakness in the second-tier index would have been much more severe without a splendid performance by the recently beleaguered housebuilding sector, which provided six of the top eight performers in the FT-SE Mid 250.

The sector surged ahead after positive recommendations from a number of leading stocks, notably NatWest and Charterhouse Tilney, plus hopes that the November 28 Budget might bring good news for the builders, as would an increasingly bright outlook for the economy.

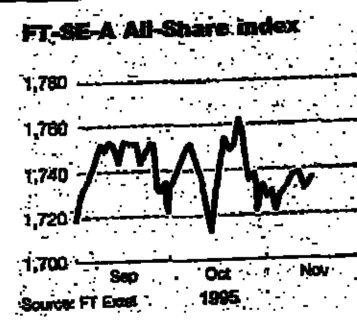
Renewed weakness in Calor, which announced a profits warning last week, and Hambros, the merchant bank due to release interims tomorrow, was responsible for the slide in the Mid 250 index. More pressure came from falls across the waters sector after indications of a tighter regulatory regime.

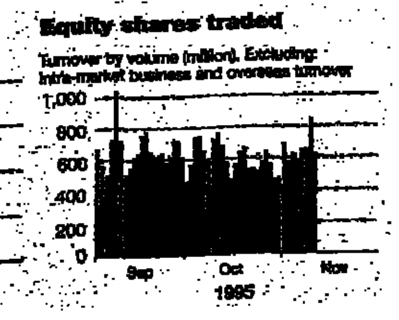
Bank shares were prominent in the FT-SE 100 performance table, with Bank of Scotland pushed sharply higher as the market picked up hints that the bank might be pursuing the acquisition of the Woolwich Building Society. Abbey National, Royal Bank of Scotland and National Westminster Bank also made rapid progress, the last mentioned amid suggestions that the sale of its US Bancorp subsidiary is at hand.

The FT-SE 100 opened around five points off, but gradually stabilised in the first two hours of trading, before coming off again ahead of the opening of Wall Street.

International bond markets gave some support to equities during the morning period, when gilts were never worse than a few ticks easier. And bonds helped to drive share prices better in the afternoon, when the US rescheduling package became known. The Dow Industrial Average was down 11 points shortly after it opened, but rallied later to show a seven-point gain.

Turnover in UK equities reached 683.9m shares by 6pm, but was inflated by big trades in Investors Capital Trust. Customer business on Friday was worth £1.37bn.





■ **Indices and ratios**

FT-SE 100	3536.8	+13.4	FT Ordinary index	2588.3	+12.0
FT-SE Mid 250	3897.3	-5.0	FT-SE-A Non Fins p/e	16.62	(16.60)
FT-SE-A 350	1759.2	+4.7	FT-SE100 Fut Dec	3543.0	+11.0
FT-SE-A All-Share	1736.92	+4.53	10 yr Gilt yield	7.83	(7.86)
FT-SE-A All-Share yield	3.88	(3.88)	Long gilt/equity yld ratio:	2.09	(2.10)

■ **Best performing sectors**

1	Bldg. & Construction	+4.1
2	Bldg. Matls. & Merchs.	+1.3
3	Banks, Retail	+1.1
4	Extractive Inds.	+0.9
5	Retailers, Food	+0.8

■ **Worst performing sectors**

1	Electricity	-1.5
2	Water	-1.0
3	Utilities	-0.8
4	Banks, Merchant	-0.8
5	Transport	-0.8

Takeover talk lifts BoS

Banking stocks ran forward in late trading as what one dealer called "a cold collation of unverifiable stories" whipped through the market.

Most prominent was a rumour that Bank of Scotland, whose shares jumped 4.8 per cent, is poised to buy a building society.

There was talk that the Woolwich Building Society would make an announcement this morning. In spite of Bank of Scotland closing 12 stronger at 261p – the biggest rise among Footsie stocks – most analysts were sceptical about the story.

They said the prospect of Bank of Scotland being able to stump up the necessary £2.4bn was undermined by its recent £235m purchase of 51 per cent of Bank of Western Australia.

Elsewhere in the sector, there was buying of National Westminster on optimism that it would dispose of Bancorp, its US arm, some time this week. But there was also a rumour that HSBC Holdings, the favoured buyer, had walked away from the deal.

And, so the stories suggested, HSBC was rumoured to be bidding for Royal Bank of Scotland. Finally, a sharp rise in Abbey National led to speculation of a link-up with a rival bank. But it seemed that a buyer of 600,000 shares had left one marketmaker short of stock and started a squeeze in the shares.

None of the stories had analysts racing to their best clients. However, NatWest ended 10 higher at 653p, HSBC 6 better at 921p, RBoS 10 up at 525p and Abbey 15 ahead at 568p.

Builders sparkle

Housebuilders sparkled as the market reacted to favourable press comment, combined with a clutch of brokers' recommendations, and sent the sector sharply ahead.

The sector led the list of leading performing stocks in the FT-SE Mid 250 index. The *day's sharpest rise was* recorded in George Wimpey, which topped the actives list after the shares rose 7 to 110p.

Other strong performers included Tarmac, 5 better at 86p, Wilson (Connolly) Holdings, up 9 at 155p, and Taylor Woodrow, which moved forward 6 to 108p. Barratt Developments gained 10 to 218p and Bellway ended the session 17 ahead at 261p. The list of brokers favouring the sector included Charterhouse Tilney, NatWest Securities and Strauss Turnbull.

In a note to investors, Charterhouse Tilney said the sector was undervalued. While admitting "there have been some nasty shocks in recent trading statements", the broker nevertheless believes: "There is growing evidence that companies which have been pro-active in their selling methods are faring reasonably well and the overall market seems a little more resilient. Even with no assistance from the Budget, the sector looks attractive ahead of greater feel-good next year."

Analysts at Strauss said the Budget at the end of this month will act as a spur for the sector, "by at the very least eliminating the current wait-and-see approach among potential purchasers".

Worries over tomorrow's interim results saw shares in Hambros, the merchant bank, slide sharply. First-half profits are widely expected to decline from year-ago levels, with some analysts also predicting heavy restructuring charges and a possible threat to the interim dividend.

However, speculation about a bid for Hambros was expec*ted to remain a factor*. There was comment in the weekend press about Hambros possibly to making itself more attractive to a potential purchaser by selling parts of its business. The shares fell 10 to 185p.

Overall market volume was boosted by very heavy trade in Investors Capital Trust after British Assets Trust placed 62.5m growth shares for £67.5m, reducing its stake to just under 40 per cent. The shares ended 1½ up at 109p on final turnover of 155m, while there were 55m warrants dealt. Trade in the two stocks accounted for more than 30 per cent of the market total.

Royal Insurance recovered 10 to 372p after slipping 27 at the end of last week following profits for the first nine months of the year at the low end of market forecasts. SBC Warburg was said to be recommending the stock.

London & Manchester, seen as the next takeover target in the life sector, gained another 12 to 424p. However, one dealer pointed out that at a 40 per cent premium to net asset value the share price was looking very demanding if nothing happened.

Northumbrian Water improved 7 to 1115p ahead of an anticipated meeting between the company and Lyonnaise des Eaux. Analysts expect a bid around the £12 a share level.

Most water companies were restrained by the prospect of an investigation into standards by the regulator. North West, South West and Yorkshire, seen as the most in need of heavy spending to counter leakage and a decayed infrastructure, shed 2 to 571p, 9 to 496p and 17 to 608p.

Norweb, whose performance is now linked to that of North West Water because of the bid in progress, retreated 191 to 1004p as the regional electricity group went ex a £1.50 net special dividend.

SmithKline Beecham rose 10 to 656p in response to a presentation on Kredex, its new treatment for congestive heart failure. The presentation in Anaheim, California, heard that the drug cut the risk of death by 67 per cent during clinical trials conducted at US medical centres.

A broker's recommendation and news of a £100m engine order helped to boost aero-engine group Rolls-Royce. The shares firmed 2 to 161p.

NatWest Securities upgraded its recommendation on the *stock from "hold" to "add"*. In a weighty and detailed research document, NatWest said: "Our analysis suggests that Rolls-Royce has laid the foundations for a steady and significant recovery in profits."

One analyst at the broker added: "While the shares remain on a 9 per cent price/earnings premium in 1997, the strong upwards trend in earnings will create scope for outperformance."

British Aerospace was under a cloud as dealers focused on press reports of potential bad news. The shares fell 7 to 729p in trade of 2.2m, with the market concerned that BAe may lose a potential order in the United Arab Emirates (UAE) because of a delay in signing a mutual defence pact between Britain and UAE.

"There is something in these figures for the bulls and the bears," is how one market spe*cialist described* figures from British Steel. The stock firmed 2 to 159p after it reported interim profits of £550m, just ahead of market expectations.

But sceptics pointed to a company statement which said it had experienced an easing of demand in the third quarter due to over-stocking and that it expected further weakness in the second half.

The market continued to celebrate Friday's favourable third-quarter figures from Unilever, 10 ahead at 1221p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Nov 13	Nov 10	Nov 9	Nov 8	Nov 7	Yr ago	*High	*Low
Ordinary Share	2588.3	2578.3	2591.0	2586.6	2576.6	2379.7	2668.5	2238.3
Ord. div. yield	4.13	4.15	4.10	4.10	4.12	4.35	4.73	4.02
P/E ratio net	15.62	15.56	15.62	15.61	15.54	18.34	21.33	15.35
P/E ratio nil	15.43	15.37	15.44	15.42	15.36	17.89	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2574.0	2576.1	2579.7	2581.5	2581.9	2582.5	2578.2	2580.2	2585.7	2588.3	2574.0

	Nov 13	Nov 10	Nov 9	Nov 8	Nov 7	Yr ago
SEAQ bargains	29,572	27,258	29,461	27,349	28,199	25,659
Equity turnover (£m)†	-	1373.9	1977.9	1711.5	1908.8	867.0
Equity bargains†	-	33,609	35,746	33,263	33,088	30,137
Shares traded (ml)†	-	612.5	852.0	638.7	638.0	436.6

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	745	Total Highs	100	Total contracts	28,538
Total Falls	492	Total Lows	47	Calls	13,043
Same	1,641			Puts	15,495

Nov. 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3534.0	3543.0	+11.0	3548.0	3522.0	8391	64036
Mar	3551.0	3568.0	+9.5	3568.0	3548.0	743	5976
Jun	-	3573.0	+11.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3910.0	-5.0	-	-	0	3637

■ FT-SE 100 INDEX OPTION (LIFFE) (*3525) £10 per full index point

	3350	3400	3450	3500	3550	3600	3650	3700
	C P	C P	C P	C P	C P	C P	C P	C P
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 3,354 Puts 3,271

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375	3425	3475	3525	3575	3625	3675	3725
	C P	C P	C P	C P	C P	C P	C P	C P
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 1,979 Puts 8,856 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smllr	92	-	-	-	-	-
-	F.P.	2.27	33	32	Do Warrants	32½	-	-	-	-	-
-	F.P.	11.7	21	17	†Alpha Omikron	21	+3	-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9	-	-	-	-	-
306	F.P.	47.3	291	285	BZW Em Tech Wt	291	-	-	-	-	-
100	F.P.	8.5	95	95	Barclayswood VCT	95	-	-	-	-	-
-	F.P.	60.6	102	101	Benfield & Rea	101	-	-	-	-	-
-	F.P.	6.48	52	50	†Chartwell Intl	52	+2	-	-	-	-
-	F.P.	48.2	138	102	†Crecs Intl	137	+13	-	-	-	-
60	F.P.	3.79	71	65	†David Glass	70	+4	[illegible]	2.4	5.1	10.0
145	F.P.	[illegible]	152	149	Enterprise Inns	150	-	[illegible]	-	[illegible]	[illegible]
-	F.P.	50.0	95	90	Guinness Flight	90	-	-	-	-	-
-	F.P.	[illegible]	195	191	Do Units	191	-	-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10	-	-	-	-	-
125	F.P.	27.4	153	128	Heritage Bath	153	-	-	-	-	-
-	F.P.	11.4	118	112	†Indpt Radio	114	-	-	-	-	-
-	F.P.	21.5	543	488	†Intl Greetings	513	-10	-	-	-	-
45	F.P.	17.9	62	52	†Multimedia	62	+1	-	-	-	-
-	F.P.	14.1	101	97	Northern Venture	97	-	-	-	-	-
100	F.P.	24.8	102	99	Perpetual UK Smlr	99	-	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 13	% chg. on day	Nov 10	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
■ Regional indices								
Africa (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FT - SE Actuaries Share Indices — **The UK Series**

	Nov 13	Day's chge%	Nov 10	Nov 9	Nov 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3536.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3897.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	3919.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1759.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	1750.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	1772.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **FT-SE Actuaries All-Share**

	Nov 13	Day's chge%	Nov 10	Nov 9	Nov 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FT-SE 100 Day's high: [illegible] Day's low: [illegible]

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 13 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Nov 13 / Frs.)

[illegible]

CZECH REP (Nov 13 / Koruna)

[illegible]

DENMARK (Nov 13 / Kr)

[illegible]

FINLAND (Nov 13 / Mks)

[illegible]

FRANCE (Nov 13 / Frs.)

[illegible]

GERMANY (Nov 13 / Dm.)

[illegible]

GREECE (Nov 13 / Drachma)

[illegible]

ITALY (Nov 13 / Lira)

[illegible]

NETHERLANDS (Nov 13 / Fls.)

[illegible]

NORWAY (Nov 13 / Kroner)

[illegible]

POLAND (Nov 13 / Zloty)

[illegible]

PORTUGAL (Nov 13 / Escudo)

[illegible]

SPAIN (Nov 13 / Pta.)

[illegible]

SWEDEN (Nov 13 / Kronor)

[illegible]

SWITZERLAND (Nov 13 / Frs.)

[illegible]

TURKEY (Nov 13 / TK Lira)

[illegible]

PACIFIC

JAPAN (Nov 13 / Yen)

[illegible]

HONG KONG (Nov 13 / H.K.$)

[illegible]

INDONESIA (Nov 13 / Rupiah)

[illegible]

MALAYSIA (Nov 13 / MYR)

[illegible]

NEW ZEALAND (Nov 13 / NZ $)

[illegible]

SINGAPORE (Nov 13 / S$)

[illegible]

AUSTRALIA (Nov 13 / AustS)

[illegible]

SOUTH KOREA (Nov 13 / Won)

[illegible]

TAIWAN (Nov 11 / TW $)

[illegible]

THAILAND (Nov 13 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Nov 13 / Can $) 3:30 pm

[illegible]

MONTREAL (Nov 13 / Can $) 3:30 pm

[illegible]

AFRICA

SOUTH AFRICA (Nov 13 / Rand)

[illegible]

INDICES

	Nov 13	Nov 10	Nov 9	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13144.18	13134.41	18531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2122.9	2126.2	2131.7	2188.00	18/9	1823.30	8/2
All Mining(1/1/80)	985.4	982.9	982.5	1028.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	334.94	334.85	338.24	385.42	2/1	328.90	27/10
Traded Index(2/1/91)	912.50	911.08	924.56	1058.31	2/1	882.16	23/10
Belgium							
BEL20 (1/1/91)	1425.24	1430.38	1434.04	1491.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	39580.0	41129.0	48812.00	19/9	4631.80	8/9
Canada							
Metals Minls(1975)	(u)	4964.23	4948.93	5232.77	21/8	3886.83	1/3
Composite(1975)	(u)	4579.00	4582.00	4710.30	12/7	3891.41	30/1
Portfolio(4/1/83)	(u)	2225.50	2229.73	2307.83	12/7	1953.36	30/1
Chile							
IGPA Gen(31/12/80)	(u)	5564.10	5610.2	6383.19	11/7	4578.80	9/3
Denmark							
Copenhagen(3/1/83)	356.64	356.62	358.11	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1930.83	1915.42	1930.43	2332.22	14/8	1555.38	29/3
France							
SBF 250 (31/12/90)	1215.67	1210.13	1220.70	1322.30	12/5	1164.41	13/3
CAC 40(31/12/87)	1838.24	1830.82	1852.63	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	783.55	781.66	789.61	846.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2272.40	2268.6	2289.6	2427.80	19/9	2018.70	30/3
DAX (30/12/87)	2175.38	2172.17	2192.82	2317.01	15/9	1910.98	28/3
Greece							
Athens SE(31/12/80)	899.79	908.36	910.73	982.50	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9365.22	9411.65	9497.63	10002.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3193.77	3290.06	3316.00	3932.89	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	467.35	474.59	481.41	519.18	11/8	414.27	19/4
Ireland							
ISEQ Overall(4/1/88)	2154.22	2155.47	2163.14	2170.73	15/9	1813.59	29/1
Italy							
Banca Comm Ital (1972)	565.24	568.68	579.08	680.54	10/2	556.02	23/10
MIB General (2/1/95)	894.0	898.0	915.0	1076.00	10/2	877.00	23/10
Japan							
Nikkei 225 (16/5/49)	17729.46	17843.56	17821.04	19884.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	265.93	266.94	267.18	288.18	4/1	222.26	13/6
Japan							
Topix (4/1/68)	1420.75	1424.35	1427.37	1583.48	4/1	1193.16	13/6
2nd Section (4/1/68)	1894.92	1905.59	1908.53	2238.86	4/1	1441.80	13/6
Malaysia							
KLSE Comp.(4/4/86)	888.50	889.47	903.94	1086.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2310.10	2311.09	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	498.8	495.0	493.5	511.20	19/9	422.98	23/3
CBS All Shr (End 83)	300.9	299.9	299.8	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2197.12	2199.75	2192.58	2208.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1218.04	1217.23	1222.05	1282.16	18/10	1038.00	10/3
Philippines							
Manila Comp (2/1/85)	2360.05	2414.59	2461.75	2968.12	10/7	2246.38	27/3
Portugal							
BTA (1977)	2528.4	2530.7	2547.1	2911.80	9/1	2528.46	13/11
Singapore							
SES All-S'pore(2/4/75)	503.34	505.43	507.55	535.05	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1427.8♥	1428.3	1337.5	2023.00	2/1	1250.20	30/10
JSE Indl. (28/9/78)	7617.9♥	7620.5	7647.8	7678.50	7/11	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	954.10	965.95	970.91	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	297.01	296.84	(c)	318.98	13/9	203.30	26/6
Sweden							
AffarsvarldnGen (1/2/37)	1690.2	1688.0	1700.2	1872.10	19/9	1488.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1431.25	1433.56	1440.62	1440.62	9/11	1174.83	13/3
SBC General (1/4/87)	1071.31	1077.20	1082.89	1082.89	9/11	870.98	13/3
Taiwan							
WeightedPr.(30/6/66)**	(c)	4694.95	4717.48	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1197.27	1192.47	1211.78	1472.04	10/7	1135.80	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	41418.7	42370.5	42863.1	54653.90	21/4	24944.31	23/1
WORLD							
MS Capital Int (1/1/70)	696.6*	700.7	700.9	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1411.35	1410.17	1421.30	1480.59	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1278.89	1280.38	1285.74	1316.88	15/9	1117.34	9/3
JCapsDrgns (31/12/88)	(u)	317.16	320.11	349.47	14/7	282.87	23/1
Barings Emerg.(7/1/92)	(u)	138.87	136.59	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (500 x Index)							
Nov	1842.0	1848.0	-4.0	1857.0	1832.0	11,879	30,938
Dec	1849.0	1857.5	-4.0	1860.0	1843.0	525	18,743
DAX							
Dec	2177.0	2202.5	+19.0	2203.5	2175.5	14,073	-
Mar	2203.5	2223.5	+14.5	2219.5	2202.5	86	-
OMX							
Nov	1333.00	1342.00	+5.00	1344.00	1330.00	3,431	15,091
Dec	1342.75	1350.50	+3.750	1352.00	1341.00	370	317
SOFFEX							
Nov	3124.0	3125.0	-5.5	3127.0	3112.0	5,635	14,305
Dec	3144.0	3128.4	-15.9	3144.0	3114.0	2,111	4,183

Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Nov 11: Taiwan Weighted Price 4748.60; Korea Comp Ex 976.25. ‡ IBIS/DAX after-hours index: Nov 13 - 2195.15 +20.37. (c) Closed. (u) Unavailable. † Correction. * Calculated at 15.00 GMT.

US INDICES

Dow Jones	Nov 10	Nov 9	Nov 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4870.37	4864.23	4852.67	4870.37 (10/11)	3832.08 (30/1)	4870.37 (10/11/95)	41.22 (2/7/32)
Home Bonds	103.97	103.91†	103.85	104.04 (16/10)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2005.40	2000.13	2006.32	2010.45 (6/11)	1473.19 (3/1)	2010.45 (6/11/95)	12.32 (8/7/32)
Utilities	214.07	215.59	215.98	218.88 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4896.02 (4902.52) Low 4820.51 (4811.84) (Theoretical♦)
Day's high 4873.62 (4876.87) Low 4840.38 (4841.10) (Actual♦)

Standard and Poors	Nov 10	Nov 9	Nov 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	592.72	593.26	591.71	593.26 (9/11)	459.11 (3/1)	593.26 (9/11/95)	4.40 (1/6/32)
Industrials♥	696.66	696.76	694.74	696.76 (9/11)	546.28 (3/1)	696.76 (9/11/95)	3.62 (21/6/32)
Financial	59.94	60.14	59.64	61.39 (18/10)	41.54 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	315.78	315.97	315.55	315.97 (9/11)	250.73 (3/1)	315.97 (9/11/95)	4.46 (25/4/42)
Amex Mkt Val	531.00	530.81	531.23	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1063.87	1065.59	1047.94	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Nov 10	Nov 3	Oct 27	Year ago
Dow Jones Ind. Div. Yield	2.39	2.41	2.46	2.78
	Nov 8	*Nov 1*	*Oct 25*	Year ago
S & P Ind. Div. yield	2.04	2.07	2.08	2.39
S & P Ind. P/E ratio	18.23	17.99	17.95	20.93

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K-Mart	8,740,400	7¼	-⅜
Micron	6,087,700	64⅞	-⅜
Telefonos	4,050,700	26¼	-⅛
Seagate Tech	3,442,500	51½	+3
Conner Per	3,301,300	21⅞	+2¼
US West	2,959,800	29¼	-
Pharm Upjohn	2,723,200	33	-
Ford Motor	2,671,500	28⅝	+⅜
Motorola	2,448,500	67½	-½
Digital Equp	2,344,600	58⅝	+⅞

■ TRADING ACTIVITY

● Volume (million)	Nov 10	Nov 9	Nov 8
New York SE	297.953	379.015	384.685
Amex	18.279	17.018	15.008
NASDAQ	494.218	490.593	489.381
NYSE			
Issues Traded	3,049	3,063	3,045
Rises	960	1,168	1,366
Falls	1,232	1,058	893
Unchanged	857	837	786
New Highs	106	137	125
New Lows	40	40	40

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	593.95	594.30	-0.15	594.30	592.55	57,195	197,017
Mar	598.65	599.00	-0.40	599.00	597.70	699	13,991

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Dec	17900.0	17750.0	-110.0	17950.0	17700.0	14,879	154,032
Mar	17980.0	17780.0	-50.0	17980.0	17760.0	1,612	10,519

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, November 13, 1995

	Stocks Traded	Closing Prices	Change on day
Kitagawa Iron Wk	17.1m	968	+88
Toho Zinc Co	15.6m	683	+43
NKK Corp	10.6m	257	+7
Taito	8.4m	961	+100
Nissho Iwai	7.4m	454	+20
Sakai Ovex	6.1m	777	[illegible]
Hanwa	5.5m	347	[illegible]
Daido Stl Sheet	5.2m	1280	[illegible]
Bunka Shutter	4.5m	840	[illegible]
Showa Line	4.4m	186	[illegible]

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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3:30 pm November 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR	0.48	2.7	24	31	17¾	17⅝	17⅝	-⅛
46¼	35	AMP x	0.92	2.4	20	3378	39¼	38⅞	39	+¼
80¼	53⅞	AMR			16	7864	71⅝	68½	68⅞	-3
47⅞	38⅞	ASA	1.71	4.3	26	398	39¾	39½	39⅝	-¼
44⅞	30¾	AbbtL	0.84	2.2	18	9198	39⅛	38⅝	39	-¼
18⅞	12	AbitiBI Pr	0.40	2.3	9	1005	17½	17¼	17⅜	-⅛
27⅞	21	ABM Ind	0.60	2.3	14	35	26½	26¼	26¼	
17½	13⅛	Acptnceln			10	77	14½	14⅜	14½	+¼
37⅛	21⅞	ACE Ltd	0.56	1.6	8	208	36⅜	36	36⅛	-¼
9⅞	8⅛	ACM Gvt In x	0.90	9.5	8	123	9⅝	9½	9½	
7¾	6½	ACM GvOpp x	0.66	9.1		113	7⅜	7¼	7¼	
7½	5¾	ACM Gvt Sp x	0.75	10.9		106	7	6⅞	6⅞	
8¾	7¼	ACM Gvt Sc x	0.90	10.3		193	u8¾	8⅝	8¾	
9½	7⅝	ACM Man x	0.90	10.3		145	8¾	8⅝	8¾	
29¼	10¼	AcmeClv x	0.48	2.1	40	89	23¾	22¾	22⅞	-⅞
38¾	8¼	Acme Elect			69	150	8¾	d8¼	8⅜	-⅛
34½	23¾	Acordia	0.72	2.6	15	17	27¾	27⅝	27⅝	
16¾	10⅛	Acuson			35	440	11½	11¼	11¼	-⅛
19⅞	15⅝	Adams Expr	0.48	2.5	0	269	u19	18¾	18⅞	
39⅞	27⅞	AdvMic			6	5035	21⅞	21⅛	21⅛	-⅝
9¾	5	Advest Grp	0.16	1.7	12	25	9⅜	9¼	9¼	
27⅛	16½	Advo Inc	0.10	0.4	20	332	u27⅜	26¾	27	
39¼	24.80	Aegon	1.28	3.3	21	212	u39¼	39¾	38⅞	-¼
5⅞	3⅛	Aerfix			8	50	4½	4⅜	4⅜	-¼
76¼	46¾	AetnaL	2.76	3.7	35	8270	75⅝	74⅝	74⅝	+¼
44¾	31⅞	Aflac	0.52	1.3	12	1361	41⅝	41¼	41½	+¼
26⅞	16	Alumax x	0.88	3.4	15	4270	26	25⅝	25¾	
[illegible]										

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
45¾	36¼	Barnes Grp	1.60	4.2	9	67	38⅛	37⅞	38	+⅛
60¼	38¼	BarnBk	1.88	3.3	11	1215	57	56¼	56¾	-¼
27½	19⅞	BrckGd	0.12	0.5	32	10079	25¾	25¼	25¼	-⅛
22⅝	7½	Barry(RG)			38	156	22⅛	21¼	21⅝	-½
12⅞	7⅞	BattlMt	0.05	0.6	124	2477	8⅞	8⅝	8¾	-⅛
44½	30⅞	Bausch	1.04	2.9	39	2591	36⅝	36	36⅛	+⅛
41⅞	26¾	Baxter	1.13	2.9	16	2198	38½	37⅞	38½	+⅛
26⅞	22¼	Bay St Gas	1.50	5.6	15	146	u26⅞	26⅜	26⅝	-⅛
22	13	Bd Tr 1838	1.64	7.5		13	21⅞	21⅝	21⅞	
23¾	15⅞	Bear Stns x	0.60	3.0	8	1315	20	19⅞	19⅞	-¼
43¾	40¾	BearStPfA	2.75	6.2		2	u44¼	43¾	44¼	+¾
39½	27½	Bearings x	0.72	1.9	16	187	38⅝	38¼	38¼	-½
34⅛	26½	Beckman In x	0.44	1.3	18	678	u34¾	33⅞	34	
66¾	49	BectnD	0.82	1.2	18	1733	u67¼	66½	66⅞	+¼
7⅛	5⅛	BdrdProp	0.42	6.2	20	12	6⅞	6¾	6¾	
65½	45⅞	BellAtl	2.80	4.5	15	2802	62⅞	61⅞	62	-⅛
25½	17¾	Bell In	0.40	1.7	15	50	22⅞	22¾	22⅞	+⅛

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3 30 pm November 13

NYSE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
26¼	20½	Scana Corp	1.44	5.5	16	764	u26⅜	26	26¼	+¼
18	14½	Sceptr	1.00	6.0	10	1791	16⅞	16¾	16¾	
11⅛	6⅛	SchwkA x	0.26	3.9	15	139	6⅝	6⅝	6⅝	
50¼	37¼	SchererRP			22	837	42½	41⅞	42½	+⅞
55⅝	35½	SchPl x	1.16	2.1	19	2746	54⅝	54⅛	54⅝	-⅛
69⅝	50⅛	Schlmb	1.50	2.4	23	3803	62⅞	60½	62⅜	+1¾
29	11¼	Schwab(C)	0.16	0.7	26	3158	24¾	24¼	24½	+⅛
24⅞	11⅞	SciAtl	0.08	0.4	20	2147	15⅝	15	15	-½
20	15⅛	Scotsman	0.10	0.6	10	61	16½	16¼	16⅜	-⅛
55½	33½	ScottP	0.40	0.7	15	2165	54¼	52⅞	53¾	+½
38⅞	26⅞	Scripps	0.52	1.4	25	712	38½	37¾	37⅞	-⅝
21½	13⅞	ScudderNAsF	0.02	0.1		137	14	d13⅝	13⅝	-⅜
11⅛	8⅝	ScudderNEsF x	0.16	1.5		62	10⅝	10½	10½	
20	13⅞	SeaCnB	0.70	3.9	1	5	18	18	18	-¼
16¼	14⅝	SeaC1.4625	1.46	9.3		2	15¾	15¾	15¾	
52⅛	23⅝	S'gate			10	11097	51½	50½	50½	-1
38⅛	25⅝	Seagram	0.60	1.6	25	3184	37⅞	37	37	-⅛
22½	15¼	Seagull En			62	3681	19⅛	18¼	18⅞	+½
28¾	18	Sealed Air			24	542	u28⅝	28	28½	+⅜
38⅞	30⅞	SearsR	0.92	2.4	9	7065	u38⅞	38¼	38	+⅜
19¼	16⅜	SecCapSBI x	1.15	6.4	21	713	18	17¾	18	
12⅜	10⅜	Seligm Sel	0.84	6.9		187	12¼	12⅛	12⅛	-⅛
38¼	20	Sensormat x	0.22	1.0	19	2771	21⅞	21⅜	21¾	+½
31¾	27⅞	SequaA	0.60	2.5	7	16	24⅜	24	24⅜	+¼
35⅛	23	SequaB	0.50	1.6	18	z100	31¾	31¾	31¾	
40⅞	28¼	ServCp	0.44	1.1	24	2919	u41½	40⅜	41¼	+⅞
28⅞	21½	Sv[illegible]	0.96	3.3	13	145	u29¼	28¾	28¾	

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AMEX COMPOSITE PRICES

3:30 pm November 13

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NASDAQ NATIONAL MARKET

3:30 pm November 13

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AMERICA

US equities recoup losses by midsession

Wall Street

US share prices recovered from morning losses to hold near Friday's close as fears waned that the government might default on its debt, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 4.33 higher at 4,874.70 and the Standard & Poor's 500 rose 0.01 at 592.73, while the American Stock Exchange composite fell 0.76 at 530.24. NYSE volume was light at 157m shares.

Bonds were also lower in early trading, but began rising after the Treasury department announced a series of measures that should allow it to raise money to meet its obligations even if the debt ceiling were not lifted.

Rising bond prices helped the Dow to recover from a loss of nearly 23 points seen in the first half hour of trading.

The technology-rich Nasdaq composite also reversed early losses, although it did not slip by as much as other indices. By 1 pm it was 1.19 higher at 1,065.06.

Apple Computer added $1¼ or 2.8 per cent at $40⅞ on news that it led US computer makers in personal computer shipments for the third quarter, winning a 13.1 per cent market share. Compaq Computer, unchanged at $54½, was number two.

America Online, which is a provider of online services, added $1⅝ at $83 and Intuit, a maker of personal finance software, gained $2⅝ at $85⅝ after the companies announced that they had signed an agreement to offer online electronic banking services.

Toys 'R' Us shed $⅞ or 3 per cent at $23⅞ after announcing third quarter results that did not meet analysts' projections. The toy retailer earned 5 cents a share in the third quarter, 3 cents a share below expectations.

Vigoro jumped $10⅞ or 24 per cent to $55⅞ after announcing that it had signed an agreement to merge with IMC Global in a stock swap. IMC shares slipped $⅞ at $73⅞ on the news.

Canada

Toronto was firm in midday trade but volume was only moderate with banks closed for the Remembrance Day holiday. The TSE-300 Composite index was 19.99 higher by noon at 4,597.97 in volume of 28.5m shares.

High technology shares remained at the centre of attention, with Metroworks up C$1 to C$13½ after a morning's high of C$15¼. Gandalf Technologies picked up C$⅜ to C$12¼.

Falling issues included Placer Dome, down C$⅞ to C$32⅞ while Abacan Resource Group, the oil and gas company, fell 40 cents to C$3.45.

Sherritt picked up C$⅞ to C$19⅞: last week, Fidelity Management Trust said that a number of investment groups had raise their stakes in Sherritt.

CanWest Global Communications eased C$⅜ to C$22⅞ on news that it had launched a C$636m takeover bid for the Vancouver-based Western International Communications. WIC jumped C$2⅞ to C$35⅞.

São Paulo off 4.5%

São Paulo was hit hard in early trade, although dealers were perplexed about the root cause. By early afternoon the Bovespa index was off 4.5 per cent or 1,736.88 points at 37,843.

Some investors were worried about the US budget problem that could deter even more investors from putting cash into the region.

The market yesterday was open for new trading hours, from 1 pm to 8.30 pm, without a midday close.

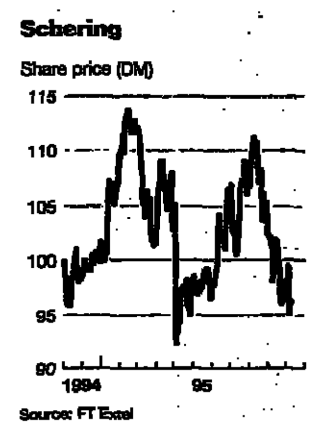
MEXICO CITY opened soft in very thin trade on weakness in the peso and expectations of another rise in domestic interest rates. The IPC index was down 31.01 or 1.3 per cent at 2,279.09. Traders said some equity investors were selling ahead of what was expected to be a rise in interest rates to about 64 per cent on T-bills.

Analysts said bank shares would continue to suffer on worries that high rates would damage their loan portfolios.

EUROPE

Frankfurt finds support in dollar and bunds

A late recovery in the dollar and bunds lifted FRANKFURT in Ibis trade, and the indicative index finished 19.87 up at 2,195.15. The Dax had closed at 2,175.28.



Schering, which reported early in the day that net profits had fallen by 18 per cent in the nine months to September, ended Ibis trade at DM96.15, up 60 pfgs from the floor close, on short-covering.

Elsewhere in chemicals, Bayer rose DM2.60 to DM368.20, BASF was DM2.35 higher at DM309.85 and Hoechst gained DM5 at DM360.

The Chemicals Association said yesterday that it expected the growth rate in the sector to slow during the rest of this year, compared with the first nine months. The association blamed the weakness of major currencies against the D-Mark.

Among vehicle manufacturers, Daimler-Benz was up DM9.70 to DM695.50 ahead of today's results, VW put on DM3.30 at DM465.30 and BMW DM10.50 at DM783.50.

AMSTERDAM was given impetus by Akzo Nobel, which moved higher on bargain hunting following recent sharp falls after worries about the impact on earnings of warnings by UK and German medical authorities about its oral contraceptives. The AEX index made 2.66 to 457.41.

Philips was the session's most actively traded share, closing up Fl 1.90 at Fl 61.30.

PARIS, anticipating today's planned strike by public sector unions, and the debate on social security reforms, made little progress and the CAC-40 index ended off 1.58 at 1,838.24.

Crédit Foncier de France was among the session's main fallers, as it came out of the blue chip index, the shares losing FFr2.20 or 2.5 per cent to FFr87. Eridania Béghin-Say, which replaced it, made FFr1 to FFr641.

Lafarge, the building materials group, rose FFr4.50 or 1.4 per cent to FFr334.80, after reporting a slight rise in nine-month sales.

Trading in the Pechiney group was suspended pending an announcement on its privatisation, made after the market had closed.

ZURICH drifted lower in very thin trade, awaiting news of developments on the US debt ceiling, and the SMI index finished 9.0 weaker at 3,121.4.

Roche certificates picked up SFr25 at SFr8,405 and Alusuisse rose SFr7 to SFr915 on continued positive outlooks and solid demand.

In a flat to easier banking sector, CS Holding eased 50 centimes to SFr116 in response to its nine month report which was released after the market closed on Friday.

Pharmaceuticals saw Ciba down SFr10 at SFr988 and Sandoz SFr6 weaker at SKr942, but Clariant picked up SFr1 to SFr376.

MILAN picked up some of its early losses but still ended weaker on the day, in spite of a strengthening lira and firmer domestic bonds.

The Comit index finished 2.44 weaker at 566.24, while the real time Mibtel index picked up from a low of 9,014 to finish 31 easier at 9,074. Turnover, however, remained subdued at just L357bn, with investors still wary as the 1996 budget continued on its passage through parliament.

Fiat remained weak, ending L21 down at L4,980, following last week's sharp fall in Italy's motor registrations for October.

MADRID edged higher, although analysts commented the market still lacked direction, and the general index finished 0.17 firmer at 297.01.

One analyst suggested, however, that confirmation of a majority for the centre-right CiU grouping in the Catalan elections on Sunday, and ratification of a March general election date, might give the market the positive boost it needed to break upwards.

Telefónica advanced Pta5 to Pta1,590 in response to news that its nine-month net group profits had risen by 15.9 per cent.

Endesa gained Pta60 to Pta6,130 and Iberdrola, which announced a 6.8 per cent rise in nine-month net profits after the market closed, advanced Pta5 to Pta964.

STOCKHOLM failed to take much encouragement from a rise in Astra, up SKr2.50 at SKr248.50, and the Affärsvärlden general index gained just 1.2 to 1,690.2.

Turnover amounted to a low SKr1.7bn.

Astra was understood to have gathered foreign support after a presentation in London.

Among the losers was Electrolux B, down SKr8.50 at SKr259, while Investor B made SKr0.50 to SKr222.50 on renewed rumours that the Scania division would be floated.

OSLO featured Kvaerner, up NKr3 to NKr210 in the Bs as the All-share index rose 0.82 to 705.19.

ISTANBUL lost 1.5 per cent as investors awaited the result of a constitutional court review of a petition filed by parliamentarians to annul a law regulating elections set for December 24.

The composite index fell 609.64 to 41,760.99. The constitutional court was expected to announce its decision this week.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1406.90	1407.35	1407.90	1408.35	1408.32	1407.37	1409.04	1411.35
FT-SE Eurotrack 200	1521.69	1520.18	1520.55	1521.86	1522.37	1517.65	1518.22	1521.80

	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6
FT-SE Eurotrack 100	1410.17	1421.30	1418.79	1414.02	1403.25
FT-SE Eurotrack 200	1522.31	1533.52	1528.56	1524.91	1516.68

Base 1000 (26/10/90). High/day: 100 - 1412.43; 200 - 1524.05 Low/day: 100 - 1405.63 200 - 1516.36 † Partial

ASIA PACIFIC

Nikkei eases on worries over US currency's decline

Tokyo

Anxiety spread over the dollar's decline, and the Nikkei average fell slightly in low volume, *writes Emiko Terazono in Tokyo.*

The 225 index shed 54.10 to 17,789.46, after moving between 17,692.01 and 17,890.59. Friday's rally on Wall Street supported sentiment in early trading, but the dollar's weakness kept most investors sidelined.

Volume was 306m shares, against 336.6m. The Topix index of all first section stocks lost 3.60 at 1,420.75 and the Nikkei 300 eased 1.01 to 265.93. Falls led rises by 552 to 442, with 188 issues unchanged. In London the ISE/Nikkei 50 index was up 1.41 at 1,207.61.

Individuals and brokers concentrated on speculative favourites which are not included in the Nikkei. Meanwhile, leading high-technology companies which recently announced favourable interims declined.

"Most investors, who had expected strong interim earnings, have sold on the news," said Mr Jason James, strategist at James Capel.

Kyocera, a semiconductor package maker, receded Y170 to Y8,110, TDK Y110 to Y5,170 and NEC Y20 to Y1,340. Pioneer, the audio equipment maker, dipped Y60 to Y1,550 on reports about the collapse of Carolco Pictures, its US movie operations unit.

Among speculative shares, Kitagawa Iron Works advanced Y88 to Y968. Toho Zinc rose Y43 to Y683 and Sakai Ovex climbed Y78 to Y777.

Nissho Iwai, a trading house, gained Y20 at Y454. The company, which is increasing investment in internet related ventures, was bought as an information related stock. Other such issues were also higher, with CSK, a computer software concern, up Y40 to Y2,970 and Toyo Information adding Y200 at Y1,290.

Foreign brokers supported NKK, Y7 ahead at Y257. But other steel stocks were weaker, with Nippon Steel slipping Y5 to Y341.

In Osaka, the OSE average declined 29.83 to 19,398.18 in volume of 49m shares.

Nintendo, the video game maker, retreated Y380 to Y7,400. The stock has lost almost 10 per cent from a week earlier on widespread speculation of a delay in the launch of its new 64-bit game, but company officials have so far refused to comment.

Roundup

Reports that the government might try to take steps to help boost market confidence helped BANGKOK ahead in late trading.

The SET index put on 4.80 at 1,197.27 after being in the negative zone for most of the day.

The banking sector saw the best gains: Thai Farmers Bank firmed Bt2 to Bt162.

MANILA skidded to an eight-month low as foreign investors lightened their holdings on worries about inflation and as interest rates continued to rise.

The composite index tumbled 50.62 or 2.1 per cent to 2,364.07, with 2.3bn shares worth 660m pesos ($29.3m) changing hands.

KUALA LUMPUR featured a 4.7 per cent slide in Hicom as investors gave a downbeat reception to the company's takeover by the Malaysian businessman Yahaya Ahmad. Analysts viewed Hicom, down 22 cents to M$4.50, as a loser in the deal because it had to pay a steep M$1.2bn for two vehicle assembly companies in a restructuring and asset reshuffle after the takeover.

The composite index suffered its fifth consecutive fall as foreigners trimmed portfolios further, losing 10.97 or 1.2 per cent to 888.50.

Yahaya's Gadek, also involved in the takeover, fell M$1.60 to M$12.30. DRB, which will emerge as the ultimate holding company of Gadek and Hicom, rose 6 cents to M$4.78.

HONG KONG was easier after a cautious day, inhibited by the US debt ceiling issue, and the Hang Seng index receded 26.63 to 9,385.22. Turnover dwindled to HK$2.5bn.

Hong Kong Telecom, however, was actively traded, rising 5 cents to HK$12.75. HSBC and Cheung Kong dipped 50 cents apiece to HK$109 and HK$41.70 respectively.

SINGAPORE remained weak, with many dealers believing that the Straits Times Industrial index could drop below 2,045 before finding a floor. It gave up 7.84 to 2,063.90, its lowest level since August 17.

Takeover speculation did prompt some activity. United Pulp & Paper, currently the subject of takeover discussions, forged ahead 28 cents to S$2.35 on expectations that the possible new owners, all Indonesians, could inject profitable new business into the company.

SEOUL remained on the slide as investors refused to commit fresh funds until a clearer outcome emerged to the prosecutors' probe into the former president Roh Tae-woo's illicit slush fund.

The composite index closed 22.15 down at 954.10. Volume was hit hard, with only 17m shares traded.

Shares fell across the board, with the exception of some regional banks on the view that they were undervalued.

LG Electronics surrendered Won1,200 to Won29,300 on news that it faced a tax probe.

BOMBAY faced relentless short selling that left the BSE 30-share index 86.29 or 2.6 per cent lower at 3,193.77.

Brokers said a severe cash crunch and delays in completing settlements, because of a strike by their staff, was fuelling the short selling.

SHANGHAI's hard currency B index was higher on institutional support, continuing Friday's technical rebound, but few individual investors were prepared to be carried along. The index rose 0.588 or 1.1 per cent to 52.53.

SYDNEY retreated in a quiet, featureless session. The All Ordinaries index lost 3.3 at 2,122.90 after a session's low of 2,120.70. Turnover was A$352.3m on 179.8m shares traded.

The banking sector index fell 26.1 to 3,085.90, while the All Industrials index declined 10.7 to 3,149.10, but All Mining was up 2.6 to 985.40 and All Resources firmed 2.9 to 1,350.0.

The golds index rose 37.8 or 2.1 per cent to 1,838.10. Newcrest Mining advanced 13 cents to A$5.95, PosGold 8 cents to A$2.61 and Placer Pacific 5 cents to A$2.85.

National Australia Bank slid 14 cents to A$11.30 ahead of results due on Thursday.

Westpac fell 5 cents to A$5.47 and St George Bank rose a cent to A$6.99, with both announcing results today. CSR shed 3 cents to A$4.28 after results and saying year to March earnings would be lower than the year earlier.

WELLINGTON was little changed as dealers took profits in a number of leading issues. The NZSE-40 Capital index lost 2.64 at 2,197.12 in turnover of NZ$31.6m ($20.6m).

JAKARTA declined sharply following foreign selling. The composite index finished 7.24 or 1.5 per cent off at 467.35.

● Taipei was closed for a public holiday.

S Africa edges up to new high

Johannesburg edged further into the year's record territory but in very thin volumes. The overall index rose 6.1 to 6,026.8. Industrials eased 2.6 to 7,617.9 and golds finished a slight 0.5 off at 1,427.8.

Dealers noted that the steady tone of the gold shares index in the face of a mild decline in the bullion price and Friday's options close out at Comex in New York boded well for a further firming.

Diamond issue De Beers picked up 50 cents to R107.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	-1.19	-2.77	-13.20	-14.88	-7.21	-6.56
Belgium	+0.19	+0.74	+6.78	+5.75	+15.19	+15.99
Denmark	-0.55	-1.97	+4.27	+0.27	+10.62	+11.39
Finland	-1.04	-12.63	+5.24	+8.20	+20.02	+20.85
France	+0.17	+0.50	-4.06	-0.85	+7.77	+8.52
Germany	-0.53	-1.65	+1.77	+0.87	+9.93	+10.70
Ireland	+1.21	-0.84	+17.80	+15.70	+20.07	+20.90
Italy	-2.70	-5.33	-9.82	-8.85	-7.99	-7.36
Netherlands	-0.12	-1.71	+8.68	+7.20	+16.80	+17.60
Norway	-0.92	-4.28	+6.65	-2.46	+5.03	+5.76
Spain	+0.65	-1.22	+0.43	+4.42	+12.00	+12.77
Sweden	-2.16	-6.74	+18.04	+17.94	+31.05	+31.96
Switzerland	-0.20	+0.70	+20.08	+18.40	+35.28	+36.21
UK	+0.61	-1.33	+12.65	+14.10	+14.10	+14.88
EUROPE	-0.08	-1.54	+7.17	+7.88	+14.07	+14.86
Australia	+1.84	+1.79	+9.63	+11.48	+5.37	+6.10
Hong Kong	-4.34	-6.00	-5.18	+10.71	+10.00	+10.77
Japan	-0.83	-0.15	-5.59	-8.03	-9.51	-8.88
Malaysia	-3.23	-7.99	-15.27	-10.22	-10.11	-9.49
New Zealand	+0.55	+4.37	+1.57	+13.21	-14.66	+15.47
Singapore	-1.61	-3.39	-11.18	-5.31	-2.91	-2.24
Canada	+0.90	+1.70	+9.49	+7.94	+11.25	+12.02
USA	+0.31	+1.27	+27.73	+29.17	+28.29	+29.17
Mexico	-0.92	-1.46	-5.42	-5.03	-39.79	-39.37
South Africa	+3.25	+3.16	+15.57	-0.45	+10.84	+11.60
WORLD INDEX	-0.17	-0.16	+9.18	+9.54	+10.66	+11.42

† Based on November 10 1995.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 10 1995								THURSDAY NOVEMBER 9 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	182.11	-0.1	171.39	115.92	133.71	164.06	-0.3	3.96	182.32	171.24	117.09	134.23	164.58	191.01	157.95	169.70
Austria (27)	170.75	-0.6	160.70	108.69	125.37	125.29	-0.9	1.34	171.78	161.33	110.32	126.46	126.37	199.28	167.48	180.79
Belgium (35)	195.36	0.1	183.86	124.36	143.44	139.81	-0.3	3.74	195.16	183.29	125.33	143.68	140.20	201.12	164.78	168.01
Brazil (28)	129.82	-3.4	122.18	82.64	95.32	229.72	-3.4	1.63	134.40	126.23	86.31	98.94	237.78	188.35	96.06	188.30
Canada (100)	144.94	0.1	136.41	92.26	106.42	141.86	-0.2	2.60	144.79	135.99	92.98	106.60	142.12	150.83	121.81	131.76
Denmark (33)	280.48	-0.2	263.97	178.54	205.94	208.99	-0.5	1.55	280.98	263.90	180.46	206.86	210.07	295.99	236.61	245.54
Finland (25)	224.74	-0.8	211.51	143.06	165.01	200.14	-1.1	1.60	226.64	212.86	145.55	166.85	202.38	276.11	171.13	193.69
France (100)	177.49	-0.5	167.04	112.98	130.32	135.74	-0.7	3.23	178.35	167.51	114.54	131.30	136.63	191.17	157.79	171.00
Germany (58)	158.64	-0.6	149.30	100.98	116.48	116.48	-0.8	2.05	159.51	149.82	102.44	117.43	117.43	167.74	135.39	143.44
Hong Kong (55)	361.25	-0.8	339.99	229.95	265.25	358.65	-0.8	4.08	364.02	341.90	233.79	268.01	361.47	389.39	277.40	381.19
Ireland (16)	249.33	-0.5	234.66	158.71	183.07	217.71	-0.5	3.46	250.55	235.32	160.91	184.46	218.70	250.55	195.34	205.53
Italy (58)	69.75	-0.9	65.65	44.40	51.22	83.15	-0.8	1.83	70.40	66.13	45.22	51.83	83.86	82.71	65.45	78.53
Japan (483)	143.00	0.7	134.59	91.03	105.00	91.03	-0.2	0.84	141.97	133.34	91.18	104.52	91.18	164.82	136.95	165.58
Malaysia (106)	433.67	-0.6	408.34	276.16	318.57	423.23	-0.7	1.95	436.42	409.90	280.28	321.30	426.08	561.96	398.16	508.40
Mexico (18)	858.57	4.4	808.03	546.51	630.39	7242.18	-0.6	1.92	822.40	772.41	526.17	605.46	7283.27	2125.20	647.81	2036.09
Netherland (19)	255.06	0.6	240.05	162.35	187.28	184.13	0.3	3.55	253.63	238.21	162.89	186.73	183.60	263.99	207.80	215.67
New Zealand (14)	81.35	0.6	76.56	51.78	59.73	66.16	0.3	4.36	80.90	75.99	51.96	59.56	65.96	85.49	69.56	76.19
Norway (33)	225.45	-0.3	212.18	143.51	165.53	190.90	-0.4	2.19	226.05	212.31	145.17	166.42	191.64	243.79	192.92	196.18
Singapore (44)	364.69	-1.1	343.23	232.14	267.77	237.33	-1.2	1.74	368.61	346.40	236.86	271.53	240.15	414.26	313.84	394.03
South Africa (45)	375.77	0.2	353.66	239.19	275.91	298.53	0.1	3.91	375.08	352.28	240.89	276.14	298.25	375.77	291.06	335.19
Spain (38)	148.81	-0.4	140.06	94.73	109.27	137.40	-0.6	4.14	149.37	140.29	95.93	109.97	138.20	160.51	124.10	141.50
Sweden (47)	304.98	-0.7	287.03	194.13	223.93	299.99	-0.9	2.00	307.02	288.36	197.18	226.04	302.82	320.43	225.80	234.58
Switzerland (41)	225.01	-0.2	211.76	143.22	165.21	158.68	-0.6	1.67	225.57	211.86	144.87	166.07	159.69	225.57	158.38	165.68
Thailand (46)	149.09	-1.6	140.31	94.90	109.47	145.35	-1.8	2.80	151.53	142.32	97.32	111.56	147.99	184.55	130.15	173.12
United Kingdom (206)	223.83	-0.7	210.66	142.48	164.35	210.66	-0.5	4.11	225.37	211.67	144.74	165.92	211.67	227.31	187.07	201.40
USA (504)	242.53	-0.1	228.26	154.38	178.08	242.53	-0.1	2.44	242.83	228.07	155.95	178.77	242.83	242.83	182.33	189.87
Americas (850)	220.82	-0.1	207.82	140.56	162.13	185.54	-0.2	2.43	221.07	207.63	141.97	162.75	185.83	221.07	170.66	177.65
Europe (737)	194.06	-0.5	182.64	123.53	142.49	162.49	-0.6	3.12	194.98	183.13	125.22	143.55	163.39	199.02	163.04	172.85
Nordic (138)	277.37	-0.6	261.04	176.55	203.65	233.90	-0.8	1.88	278.85	261.99	179.15	205.36	235.87	295.02	215.79	226.52
Pacific Basin (832)	152.72	0.5	143.74	97.21	112.14	100.94	-0.2	1.29	151.97	142.73	97.60	111.88	101.20	171.87	145.93	165.04
Euro-Pacific (1569)	169.85	0.0	159.86	108.12	124.71	124.19	-0.4	2.16	169.80	159.48	109.05	125.01	124.68	178.33	154.73	168.26
North America (604)	236.50	-0.1	222.58	150.54	173.65	235.79	-0.1	2.44	236.77	222.38	152.06	174.31	236.09	236.77	178.86	196.27
Europe Ex. UK (531)	173.83	-0.3	163.60	110.65	127.63	136.28	-0.6	2.55	174.44	163.83	112.03	128.42	137.09	179.46	146.45	154.04
Pacific Ex. Japan (349)	246.06	-0.6	231.58	156.63	180.67	217.17	-0.7	3.39	247.43	232.39	158.90	182.16	218.60	266.72	211.19	256.42
World Ex. US (1760)	170.86	0.0	160.80	108.76	125.45	127.83	-0.4	2.21	170.79	160.41	109.68	125.74	128.34	178.73	155.42	170.20
World Ex. UK (2058)	189.87	0.1	178.69	120.86	139.41	155.93	-0.3	2.10	189.78	178.24	121.88	139.71	156.35	191.32	169.46	173.21
World Ex. Japan (1781)	220.64	-0.3	207.66	140.45	162.00	205.38	-0.3	2.77	221.23	207.79	142.08	162.88	206.06	221.43	178.85	189.22
The World Index (2264)	192.84	0.0	181.49	122.75	141.59	160.73	-0.3	2.30	192.88	181.16	123.86	142.00	161.20	194.25	165.92	175.69

Latest prices were unavailable for this edition.

GREECE

Policy gap weakens Balkan thrust

The controversy surrounding prime minister Andreas Papandreou is preventing Greece from exploiting close new ties with its Balkan neighbours. Kerin Hope reports

Greek politics is always imbued with a sense of theatre. But prime minister Andreas Papandreou's efforts to undermine younger rivals while his wife Dimitra fends off criticism of past improprieties have turned it into an embarrassing comedy.

Though the 76-year-old Mr Papandreou still has a firm intellectual grasp, his weak health has brought policy-making to a standstill. His refusal either to set a date for his retirement or to suggest a successor threatens to split the governing Panhellenic Socialist Movement. Opinion polls show a steady decline in Pasok's popularity because of uncertainty over its future leadership.

Greece is more than ready for a new generation of politicians to take over the helm. Innovative thinking is needed to build sound political and economic ties with Balkan neighbours and defuse hostility toward Turkey, Greece's rival for control of the Aegean. The war in Bosnia and Greece's dispute with the former Yugoslav republic of Macedonia have shown how easily Greece can become isolated, physically and politically, from its EU partners. New strategies must be found both to attract more foreign investment in Greece itself, and to exploit expanding opportunities for trade and investment in the Balkans and around the Black Sea. The twin pillars of the Greek economy, shipping and tourism, need strengthening.

The public administration urgently requires modernisation. Delays in drawing down EU financial aid intended to help poorer member states participate in economic and monetary union have exposed the weaknesses of the Greek bureaucracy. Frustrated officials doubt whether Greece can absorb the entire Ecu15.9bn available over the next five years for improving communications, industry and environmental protection.

None of these issues can be addressed until the Socialists resolve the succession question. Mr Papandreou is under attack both from the party's populists, increasingly dissatisfied by restrictive wage and pension policies, and from pro-Europeans, led by a group of former cabinet members who want procedures for choosing a new leader to be clarified.

As Mr Theodore Pangalos, the former European affairs minister and one of the "gang of four" militants who are mounting a co-ordinated campaign to unseat the prime minister, puts it: "We need a premier who can hold a cabinet meeting every week and stand up in parliament twice a week to answer questions."

Mr Papandreou's infirmity has made him dependent on his wife and a small group of cabinet members and close friends. As the head of the prime minister's private office Mrs Dimitra Papandreou, 40, controls access to her husband. She is accused by political enemies of influencing his decisions and preparing the ground for her own political career.

The depth of the divisions within Pasok have been revealed by a smear campaign against Mrs Papandreou. A leftwing newspaper, Avriani, has published a series of photographs purporting to show the prime minister's wife nude on a beach with friends. While Greek society is tolerant of sexual indiscretions, this means of attacking the prime minister has shocked public opinion.

The latest episode of what many Greeks ironically call "our national soap opera" saw Mrs Papandreou take the offensive. In an interview on state television, she dismissed the photographs as faked. More damaging to the government, she refused to rule out running for parliament at the next general election in October 1997.

While Mrs Papandreou dominates the newspaper headlines, cabinet members worry that Mr Papandreou may not survive until the next election. The opposition conservatives are in disarray, but failure to appoint a new Pasok leader well ahead of the poll could ruin the party's chances of retaining power.

The former industry minister, Mr Costas Simitis, another "gang of four" member and a leading contender to succeed Mr Papandreou, has demanded that he fix a timetable for his departure. The other two rebels are Ms Vasso Papandreou, in the past an EU commissioner, and Mr Paraskevas Avgerinos, a former health minister. Together the four would provide the core of a moderate leadership committed to economic reform and a pro-European foreign policy.

Mr Papandreou's unwillingness to launch the search for his successor reflects his fear of being forced out of office. He has surrounded himself with allies who have stayed loyal since the founding of Pasok 21 years ago. The only potential prime minister among them is Mr Akis Tsochatzopoulos, 58, who runs a super-ministry in charge of public administration but has virtually no experience of foreign affairs.

The task of keeping an increasingly restive Pasok under control leaves Mr Papandreou and his circle little time for longer-term planning.

The quarrelsome New Democracy party has been unable to exploit the Socialists' troubles. Mr Miltiades Evert, the conservative leader is constantly under attack from two prickly backbenchers, former prime minister Constantine Mitsotakis and his ambitious daughter, Mrs Dora Bakoyannis. Nor have the conservatives yet come up with forward-looking policies that would persuade younger Greeks and floating voters to change sides.

However, the outlines of a consensus on Greece's future relations with Macedonia have emerged, following settlement of the dispute over Macedonia's flag and constitution in September. Nationalist feeling in the northern Greek province of Macedonia is retreating in favour of doing business with the new state.

For the first time since the collapse of communism five years ago, Greece can claim to have a working relationship with all its northern neighbours. This has improved the country's position with its EU partners and the US, which is encouraging Mr Papandreou to play a role in promoting regional stability. The possibility of a violent spillover from the war in Bosnia still exists, though it is lessening.

The new realism apparent in Greek foreign policy means that while the dispute over the former Yugoslav republic's name is unlikely to be quickly resolved, it will not prevent the restoration of diplomatic links. Trade and tourism is recovering, following the lifting of the Greek blockade imposed in February 1994 and the adoption of a new design for the red and gold Macedonian flag to replace the Vergina sunburst symbol claimed by the Greeks.

Ties with Albania have improved to the point where Greek banks are preparing to open branches in Tirana to handle remittances of around Dr60bn (£160m) yearly from almost 300,000 immigrant workers in Greece. An agreement to provide temporary work permits for 150,000 Albanians is under negotiation, though it has been stalled by an argument over the education of the ethnic Greek minority in southern Albania.

Greece and Bulgaria are about to settle a longstanding dispute over sharing water from the Nestos river. Greece has agreed to open new border crossings with Bulgaria that will end the isolation of the Pomaks, a Moslem minority of farmers living on both sides of the Rodopi mountains, and give Bulgarian exporters access to the Aegean ports of Kavalla and Alexandroupolis.

The most effective way of cementing regional ties will be through cross-border projects that can attract international financing. Political agreement has been reached for a $700m project to build an oil pipeline to carry Russian oil from the Bulgarian port of Burgas to Alexandroupolis, bypassing the crowded Bosphorus sea lanes.

Studies are under way to link main roads in Albania, Macedonia and Bulgaria with the Egnatia highway to be built across northern Greece. The Black Sea Development Bank, which aims to boost regional trade and investment, is due to open next year in Thessaloniki. Its 11 shareholders include all Black Sea countries, Greece and Albania.

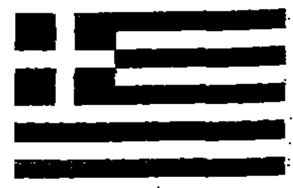
Ms Louka Katseli, a senior government economic adviser, says: "The pace of change is slower in the Balkans, partly because of UN sanctions against Serbia. But the transition to a market economy is picking up speed. Early next century, Greece should be at the centre of a region of rapid economic growth."

Greece's drive to improve ties with its neighbours is unlikely to extend to Turkey. Tension still runs high in the Aegean, where Greek and Turkish fighter aircraft play dangerously realistic unofficial war games in disputed airspace. A new Greek defence pact with Cyprus adds another dimension to a potentially explosive situation.

Yet at the political level, Greece has accepted the need to restore regular contacts with Turkey, if only to avert the possibility of a clash in the Aegean. Greek officials are ready to endorse the Turkish argument that rejection or delay of a customs union with the EU, due to come into force next year, would encourage the growth of Islamic fundamentalism in the region.

Soldiers in traditional uniform stand guard outside the Greek parliament building — Picture by Ross Bray

IN THIS SURVEY



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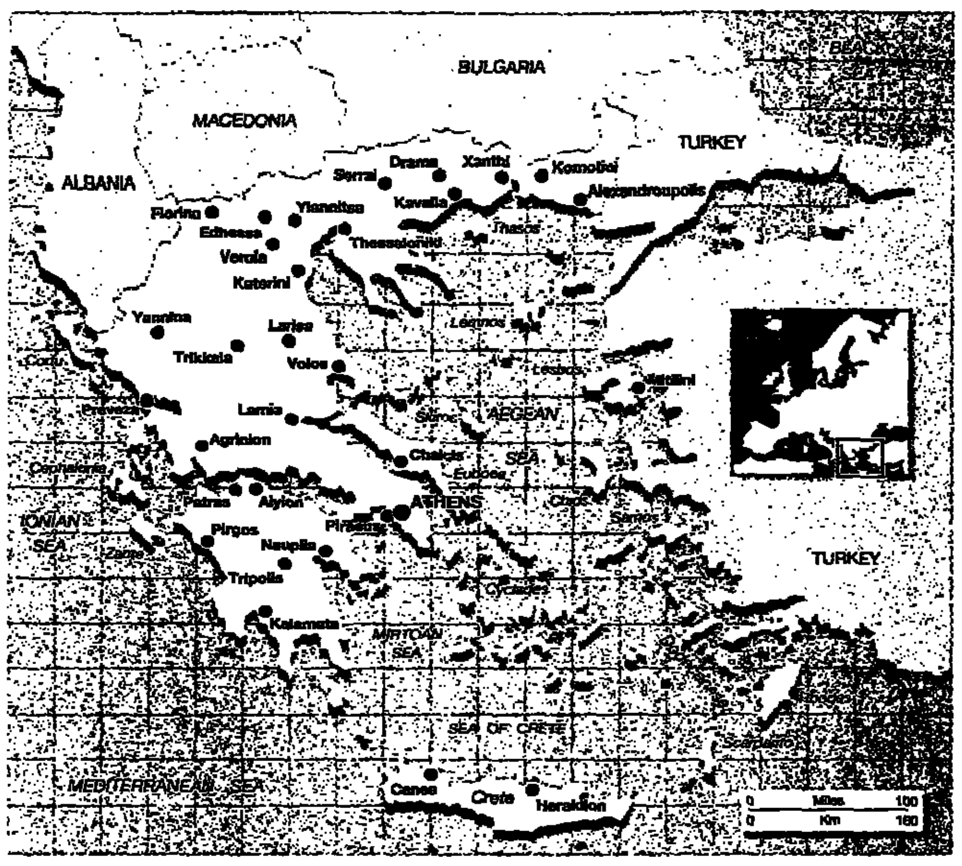
Editorial production: Jonathan Guthrie

■ **Banking:** by Kerin Hope

The lotus eating ends

An intensifying lending battle has pushed banking into a more competitive phase



Greece's banks are braced for leaner times. An interest rate war is squeezing margins, more corporate borrowers are in trouble and competition in consumer lending is growing.

The banks' battle for market share has knocked seven percentage points off the cost of working capital this year. Corporate borrowers are now offered loans at 18 per cent, the lowest rate since the 1980s.

Even so, many Greek companies have preferred to take advantage of the drachma's stability and borrow in foreign currency at rates of around 9 per cent.

Costs for banks have risen with the central bank's attempt to contain the surge in foreign borrowing by raising the compulsory reserve requirement from 9 to 11 per cent of deposits. Foreign currency deposits and loans were also included in the reserve requirement for the first time.

Now the interest rate war has broadened to include mortgage rates, a growth area for Greek banks following a surge in property prices in Athens and Thessaloniki. Fixed-rate mortgage financing has become available for the first time, prompting a rush of applications by prospective home buyers.

For banks accustomed to earning healthy profits from corporate lending, the fall in interest rates has forced a change in outlook. Moreover, the corporate market is shrinking as top-tier Greek companies prefer to finance their operations out of earnings.

Mr George Patakos of ABN-Amro says: "The corporate bonanza is over. Spreads have collapsed and there is much less good-quality business around. In this climate, it's debatable whether you want to take on extra risk in order to expand your loan portfolio."

Bankers are also predicting increased provisions for bad debts as companies under pressure, especially in declining manufacturing sectors like textiles and footwear, are forced to shut down.

Consumer lending is setting the pace as the economy picks up after several years of recession. The ceiling on consumer credit was raised to Dr8m (£22,000) last year. Customers can borrow Dr1m for non-specific purchases, which serves as the unofficial equivalent of an overdraft facility, banned under Greek law.

Consumer credit expansion reached almost 35 per cent in the first half of 1995, fuelled by intense competition among smaller private banks to design innovative products. However, many products are intended for sophisticated customers in Athens and Thessaloniki, as the small private banks do not have an extended branch network.

Overall a sharp fall is expected in second-half earnings growth. First-half results were spectacular for some banks because of windfall profits from high-yielding government securities purchased during last year's currency crisis. In order to defend the drachma when curbs on short-term capital movement were lifted, the government briefly raised interest rates on six-month and one-year paper to unprecedented heights.

> There is intense competition among smaller private banks to come up with innovative new products

In 1994, windfall profits more than offset losses incurred as a result of sharp increases in short-term interest rates. These reached over 70 per cent on one-month repurchase agreements at the height of the crisis.

The big state-controlled banks enjoyed an extra earnings boost in the form of higher commission from the finance ministry for selling government paper. While this practice has been dropped, commission on the high volume of government securities traded every month by larger banks will make a useful contribution to their earnings.

The lifting of short-term capital restrictions has brought liberalisation to a point where the state-owned banks must modernise to stay competitive. While the three big state banking groups still control over 60 per cent of deposits and loans, their market share has been steadily eroded by foreign banks and private Greek banks, both of which achieve a much a higher return on capital.

The state banks have started to fight back, improving their treasury operations and moving into new areas such as underwriting and brokerage. They are opening branches elsewhere in the Balkans, exploiting their extensive domestic networks to sell mutual funds and other financial products and upgrading their ATM networks.

Mr Nicholas Nanopoulos of Euromerchant Bank, a private bank controlled by the Latsis shipping group, says: "State banks are now run by bankers who happen to be close to the government, rather than by politicians with no banking experience. This makes a big difference."

Discussion has started about breaking up the big state banking groups by selling off their banking subsidiaries. Privatisation, the government's advisers argue, would give a further boost to competition and improve efficiency at parent banks.

Two small state banks, Bank of Attica and Bank of Central Greece, with assets of Dr80bn and Dr110bn respectively, head the privatisation list.

Bank of Attica, with a customer base of small and medium-sized Greek traders and a limited branch network, is being split off from Commercial Bank through a capital increase. This is being taken up by a private pension fund and a special credit institution, the Special Deposit Fund.

Bank of Central Greece, controlled by Agricultural Bank, mainly serves small businesses but also offers shipping finance. It will be sold to a private buyer, probably through a tender offer on the Athens stock exchange.

It may be be more difficult to dispose of Bank of Crete, which has been administered by the central bank since a $200m embezzlement scandal broke in 1988. It is due to be restructured next year.

Special legislation approved recently provides for splitting off the bank's non-performing assets, estimated to amount to at least Dr50bn. A capital injection for the healthy part of the bank of about Dr40bn would be necessary before it could be sold as a going concern.

Bank of Crete would provide a private buyer with an 80-branch network, sizeable by Greek standards, and a modern computer system. The government aims to attract a foreign bank keen to expand its presence in Greece by acquiring a ready-made network.

But the years under a government-appointed commissioner have made the bank a niche for patronage appointments, while deposit growth has lagged well behind the rest of the industry. According to local bankers, the realistic solution would be to shut it down and sell its assets.

KEY FACTS

Area	131,957 sq km
Population	10.5 m[1]
Head of state	Kostis Stefanopoulos
Average exchange rate	1994 $1=Dr242.38
	1995[2] $1=Dr230.73
Currency	Greek Drachma

ECONOMY

	1994	1995[3]
Total GDP ($bn)	22	23
Real GDP growth (%)	1.5	1.7
GDP per capita ($)	9,192	10,617
Components of GDP		
Private consumption	74.9	NA
Government consumption	13.8	NA
Fixed investment	18.9	NA
Exports	17.4	NA
Imports	-28.9	NA
Change in stocks[4]	1.9	NA
Annual average growth in:		
Consumer prices (%)	10.9	9.3
Agricultural output (%)	1.5	2.0
Industrial output (%)	1.2	1.5
Unemployment (% labour force)	10.0	10.3
Reserves minus gold ($bn, Dec)	15.4	NA
Money growth (M1, % pa)	11.6	11.0
Stk mkt indx (annual % change)	-9.36	4.96[2]
Public sector deficit (% GDP)	12.0[5]	9.8[6]
Current account balance ($m)	-131	-1031
Merchandise Exports ($m)	5,215	5,679
Merchandise Imports ($m)	-18,739	-21,290
Trade balance ($m)	-13,524	-15,611
Main trading partners (1993)[7]	Exports	Imports
Germany	24.4	18.9
Italy	12.0	14.0
France	6.4	7.9
UK	5.9	6.1
EU	54.8	60.0

(1)Estimate. (2)Year to date. (3)Estimate unless otherwise stated. (4)Plus statistical discrepancy. (5)Provisional. (6)1995 budget. (7)Share of world trade.
Source: Datastream, Economist Intelligence Unit

PROFILE Alex Papadopoulos

In pursuit of tax evaders

Mr Alex Papadopoulos, a soft-spoken lawyer and the author of a best-selling book on Balkan history, seems an unlikely choice as Greece's finance minister.

His only qualifications for imposing fiscal discipline in a country of chronic tax evasion, he says, are "commonsense and a liking for being methodical".

Mr Papadopoulos was plucked from the Socialist backbenches two years ago to oversee the budget and modernise a tax system left largely unchanged since the 1970s.

The Greeks' unwillingness to pay income tax stems partly from a conviction that they get little in return. Businessmen complain that instead of being used to fund public investment, tax receipts pay the salaries of an ineffectual civil service or disappear into the black hole of the public debt.

Mr Papadopoulos is out to change such attitudes. Through a combination of tighter fiscal controls and punitive measures for offenders, the finance ministry aims at bringing most of the underground economy, estimated at about 40 per cent of gross domestic product, into the tax net by the end of the century.

His efforts started to bear fruit last year, when the budget showed a small primary surplus, largely as a result of a 22 per cent rise in tax revenues. The surplus is expected to increase this year to 3.4 per cent of GDP.

But more must be done if the government borrowing requirement is to be reduced to less than 1 per cent of GDP by the end of the century. Moreover, Greece's debt-to-GDP ratio, at 114 per cent, is among the highest in the EU.

Given the Socialists' reluctance to impose spending cuts, the burden of deficit reduction falls squarely on the revenue side. Mr Papadopoulos says that broadening the tax base will bring a steady increase in receipts. By 1999, income tax receipts should account for 7 per cent of GDP compared with 5 per cent of GDP in 1993.

Last year, a threatened revenue shortfall from taxes forced officials at the finance ministry to take extraordinary measures. Mr Papadopoulos offered automatic settlement at a discount in more than 7m tax disputes, some of them dating back as much as 10 years.

This year, a new tax system based on assessed rather than declared income took effect for self-employed workers, who make up over 30 per cent of the economically active population and are considered Greece's worst tax offenders.

Alex Papadopoulos: setting up financial police force

The self-employed, from car mechanics and café owners to architects and doctors, now pay tax according to "objective indicators" of income worked out by the finance ministry. These include the size of their premises, or the numbers of staff they employ, and in the case of doctors, the number of years they have practised medicine.

Mr Papadopoulos accepts that presumptive taxation is inherently unfair, but defends it as unavoidable at present.

Presumptive taxation will remain in force until 1997, the deadline for installing a new computer system at Greece's larger tax offices. This will be capable of cross-checking invoices and receipts issued by companies and individuals.

In the meantime, Mr Papadopoulos's advisers are preparing to launch a 2,000-strong financial police force, with powers to arrest suspected tax offenders, search their premises and confiscate their books.

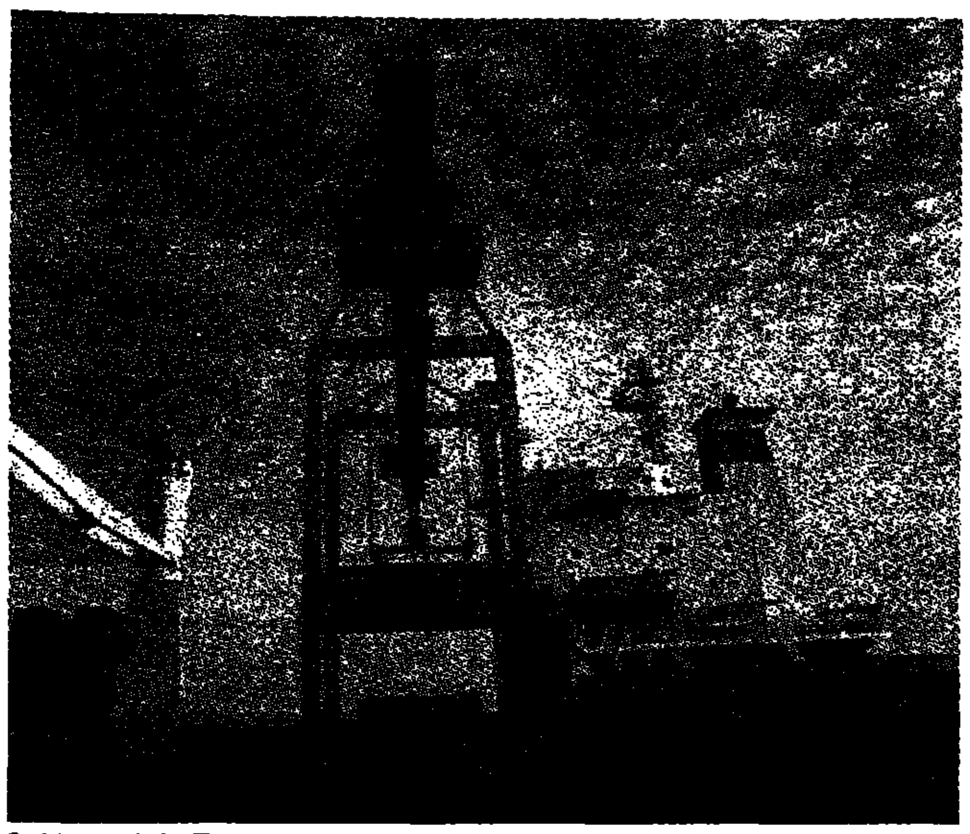
He says: "Cases against tax offenders tend to get bogged down in legal procedures and lead nowhere. But the financial police will have real muscle."

Kerin Hope

■ **The economy:** by Kerin Hope

On course for convergence

Greece must meet EU convergence targets to win much-needed subsidies



Container terminal at Thessaloniki: Greek ports are expected to benefit from the growth in trade between Greece and its Balkan neighbours, which are liberalising rapidly

The Greek economy is making a stronger than expected recovery, though growth is still lagging the European Union average. Economy ministry forecasts that gross domestic product would rise by 1.2 per cent this year have been revised upwards to 2 per cent.

Mr Yannis Stournaras, a senior economy ministry adviser, predicts a better performance in 1996, with GDP growth rising above 2.5 per cent on the back of rising public sector and private investment. He says: "A stable economic climate over the past 18 months has restored confidence. We are ready for a steady period of growth."

The government's commitment to carrying out a revised convergence programme agreed with the EU helps to reassure Greek businessmen that unpredictable policy shifts on taxation, interest rates and exchange policy now belong to the past.

The programme is designed to meet the Maastricht targets for inflation and the deficit by the end of the century and substantially reduce the public debt, now at 114 per cent of gross domestic product, so that Greece can qualify to take part in European economic and monetary union.

The government is well aware that any deviation from the convergence targets would hamper disbursement of the large amounts of EU structural aid which are vital for growth. Its most positive achievement has been reducing inflation to single digits for the first time in more than 20 years. Yearly inflation is projected to drop to 7.9 per cent by December, still almost three times the EU average but a substantial improvement on last year's 11 per cent.

Thanks to the strong drachma, imported inflation is minimal. A tight wages policy has held down increases for public sector workers below this year's projected inflation rate and helped restrain rises in the private sector.

The recovery in manufacturing adds to pressure from private sector trade unions for more generous increases in 1996, while public sector workers are growing impatient for real wage increases after four years of marginal rises. But unless wage increases are again contained, the chances of reducing inflation to 5 per cent by the end of 1996 will be in doubt.

Mr Stournaras says: "There is tremendous pressure on wage and pensions policy. We've agreed to raise the lowest tier of pensions next year, but wage increases must be held down or the convergence targets will be at risk."

Efforts to shrink the budget deficit to 7 per cent of GDP next year will be based on another drive to improve tax revenues, rather than through spending cuts. New measures to curb tax evasion, together with the abolition of special tax allowances enjoyed by a wide range of Greeks are expected to boost revenues.

The government's critics argue that without a determined effort to reduce outlays, preferably through cuts in the bloated state payroll and disposals of state enterprises, it will be hard to keep the deficit on a downward track.

> Public sector workers' pay demands have been kept in check

The burden of financing the public debt has been eased by a sharp decline in interest rates on government securities. The finance ministry expects to cut the benchmark rate on one-year government paper to 13.5 per cent by the end of this year. This would allow the debt to GDP ratio to fall in 1996.

Commercial borrowing rates have also tumbled, prompting a steady rise in private investment, projected to reach 7.5 per cent for the year. Thanks partly to EU grants, larger amounts of funding are now available.

Investment subsidies amounting to Dr230bn (£625m) were granted in the first half of the year, and another Dr550bn is likely to be approved by year-end. The bulk of the new investment involves Greece's flourishing food processing industry, but textile and metal products manufacturers will also benefit.

Public investment is set to increase by 8.7 per cent this year, mainly through inflows from the EU structural package for helping poorer member-states achieve economic convergence. There have been delays in disbursement, blamed mainly on inefficiency in the Greek public administration, but funds for infrastructural projects are being absorbed at faster rates.

The effects of higher investment are already feeding through into the labour market. The official unemployment rate is stable at 9.6 per cent despite an increase in the size of the workforce, swollen by economic migrants from former communist countries.

Yet the recovery is still uneven. Jobs are being created in Athens as the service sector expands, but factories in the provinces are shutting down. While manufacturing has picked up, construction shows little sign of following suit.

Four years of recession, together with new fiscal measures designed to curb tax evasion, appear to have had a drastic effect on Greek spending habits. Retail sales fell in the first half of the year, as did output of consumer goods. Private consumption is expected to rise by 1.5 per cent this year.

Exports are recovering, showing a 22 per cent rise in the first eight months of 1995, despite the strength of the drachma. However, exporters complain that the currency is overvalued by comparison with the other Mediterranean EU members and that markets in western Europe are being lost to Spain and Italy.

Greece's surging exports to the former communist countries of eastern Europe help compensate for its declining competitiveness in EU markets. Though volumes are still low, the transition of these countries to a market economy is seen as an unprecedented opportunity for Greek exporters in the longer term.

However, the current account deficit doubled between January and August to $2.5bn, the result of a sharp rise in imports and a decline in invisible receipts, including EU transfers delayed by bureaucratic obstacles in Brussels and Athens.

The most encouraging sign was an estimated 25 per cent rise in imports of machinery and equipment by Greek manufacturers, pointing to improved productivity next year.

PROFILE Yannos Papantoniou

A low key survivor

Yannos Papantoniou stepped willingly into the post of Greek economy minister in an act that many Greek politicians considered political suicide. Since Greece launched a stabilisation programme in the early 1990s, economy ministers have come and gone at the rate of one every year. After 18 months in the job, Mr Papantoniou can be described as a survivor.

His most awkward task is to balance the European Commission's increasingly impatient calls for privatisation and other structural reforms with the demands of public sector unions.

From Mr Papantoniou's sixth-floor office, the beneficial effects of EU financial aid are clearly visible in the new Athens metro extension being dug in the square below. In return, Greece must make its economy conform with the Maastricht requirements for economic union.

Mr Papantoniou believes he has made progress towards restoring the credibility of Greek economic policy. He recognises that any hint of retreat from the convergence programme targets for participating in European monetary union would provoke a strong reaction in Brussels.

With his Cambridge education and a political career that started not in Athens but at the European parliament, Mr Papantoniou is better equipped than most Greek Socialists to argue the Greek case in Europe.

He notes with relief that as Greece's inflation rate dropped to single digits and tax revenues increased in line with this year's projections, criticism of his policies has become more muted.

At home, Mr Papantoniou keeps a low profile in the governing Panhellenic Socialist Movement, steering clear of both populist and pro-European factions in the confrontation over finding a successor to prime minister Andreas Papandreou.

He says: "I don't believe in confrontations. I'd rather try to build consensus on issues."

However, Mr Papantoniou cannot avoid battles over economic policy. They would happen more often, he says, if he had not developed a working relationship with the unions a decade ago when he oversaw state enterprises as a junior undersecretary at the economy ministry.

This time last year he persuaded both public and private sector unions to accept wage and pension increases below the projected inflation rate for 1995. It may be more difficult to repeat the achievement this year.

Mr Papantoniou has been less successful in convincing the public sector unions to accept flotations of state enterprises on the Athens stock exchange. The disastrous failure of last year's attempt to sell 25 per cent of OTE, the state telecoms monopoly, to domestic and foreign investors came close to unseating him.

But given the pressure from Brussels on privatisation, Mr Papantoniou cannot afford to give up. "There's no denying that privatisation is the weak link in our policy, but there's strong social and union resistance, and often legal problems too. We're persisting and there should be results in the next few months," he says.

The compromise solution for OTE, to be attempted early next year, is to sell only 8 per cent of the company, restricting the size of the tranche offered to foreign investors to just 2 per cent.

However, the determination of Greek public sector unions to resist payroll cuts, spending caps or improved management practices is unlikely to change until telecommunications, power generation, air transport and other monopolies are opened up to competition.

In other respects, Mr Papantoniou believes that Greece is moving closer to its Mediterranean partners in the EU, thanks to inflows from EU structural funds, rising private investment and an increasingly sophisticated capital market.

"The conventional economic wisdom has been that Greece is a special case, that the usual policies won't be effective here, he says. "I don't think that's so any longer."

Yannos Papantoniou: admits privatisation policy is weak

Kerin Hope

■ **Infrastructure:** by Kerin Hope

Slow progress toward faster transport

Inadequate transport infrastructure is hampering exports and tourism

Gr ece's plans to build a motorway from the Adriatic to Istanbul, a new international airport for Athens and a suspension bridge across the Gulf of Corinth were drawn up over 20 years ago. But policy switches and budget constraints prevented these and many other projects from getting under way.

Since 1993 large amounts of EU aid made available under the Delors II package have created new opportunities for modernising the country's infrastructure. The three "big projects" have been revived together with a host of smaller transport projects.

Greece is entitled to a total of Ecu13.5bn (£11.21bn) from the package, together with another Ecu2.5bn from the cohesion fund for improving transport and environmental protection in poorer member states.

Greece is at a competitive disadvantage in the single market as the only EU country lacking a land border with another member state. The relatively high cost of reaching European markets has risen further because the war in Bosnia has blocked the main overland route to Germany.

Improved roads and ports will assist companies exporting to the EU as well as those entering new markets in the Balkans and southern Russia. Greek exporters complain that the rail network is not equipped to carry container traffic, that most big roads have not yet been upgraded to four lanes and that harbours are congested, especially during the tourist season.

The poor state of Greece's infrastructure also serves to deter potential foreign investors. Among other things, they cite overcrowding at Athens airport and the limited numbers of international flights to provincial cities, which still lack radar equipment.

Over half the EU package will be used to finance transport projects, with Greece covering about 20-30 per cent of the cost of most projects out of the state investment budget.

However Greece's limited budget resources mean that the largest projects will have to be funded through a mix of public and private sector financing. This will include soft loans from the European Investment Bank and commercial loan packages arranged by contractors.

Private funding will be needed to complete both big road projects included in the EU package: the upgrading to motorway standard of the 700km highway from Patras to Athens and the northern border with Bulgaria and the construction of the 680km Egnatia highway across northern Greece from the Adriatic coast to the Turkish border.

Disbursement of EU funds for road construction has been running behind schedule because of the Commission's insistence that the public works ministry should modernise outdated procedures for awarding contracts and appoint international project managers to oversee big transport projects.

Last month, however, the public works ministry selected Brown and Root, the UK-based project managers, to oversee construction of the Egnatia highway linking Igoumenitsa in north-western Greece with the Turkish border in Thrace. Construction of the $3.5bn highway, currently the largest toll road project in Europe, is expected to start next year and take six years to complete.

Mr Stathis Kormentzas, Brown & Root's representative in Athens, says: "This project will open up the whole of the southern Balkans. The Egnatia would be linked up with five new roads running south from Albania, the former Yugoslav republic of Macedonia, and Bulgaria."

Brown & Root will set up and run a state-owned Greek company, Egnatia Odos, which will build and operate the highway. Three international contractors will be selected to supervise on-site operations and conduct bidding for building sections of the highway. Because of the project's size, international as well as Greek construction companies are expected to participate.

Trucks queue to load fresh produce on to vessels at Piraeus, the port that serves Athens. Investment is needed to improve roads and ports, particularly those linking Greece with Balkan trading partners AP

Construction of the new Athens airport at Spata, east of the city, is also due to start early next year as a build-own-transfer project led by the German company Hochtief. An international consortium led by Hochtief will build and operate the new airport for 30 years in partnership with the Greek state.

> Greece needs international expertise in project management

The new airport, intended to become a hub for the Balkans and south-east Europe, will open at the end of the century. It will cater for 15m passengers yearly at first, rising to 50m yearly with the construction of a second runway and additional terminal facilities.

The Greek government will not make any contribution to the Dm4bn (£1.7bn) project from the budget. It will cover its Dm370m equity stake in the Athens International Airport Company out of proceeds from a special tax on passengers using Greek airports.

As well as Hochtief's equity contribution of Dm331m, the financing package is expected to include a Dm1.9bn loan from the European Investment Bank, a Dm727m grant from the EU structural package and a Dm610m commercial loan guaranteed by Hermes, the German export credit agency.

Mrs Anna Pouskouri of Bayereische Vereinsbank, which is arranging the loan package says: "This is a new approach to financing big infrastructure projects in a country that doesn't have a lot of cash. It doesn't overburden either the public budget or the private sector, and there's a good distribution of risk."

Another complex financing package will be needed for the Ecu445m project to build a suspension bridge between Rion and Antirrion in western Greece. The contract with a Franco-Greek consortium led by GTM International, which would build and operate the 2.5km bridge as a toll facility for 25 years, is due to be signed by the end of the year.

The need for international expertise in project management and financing for large-scale projects in Greece is underlined by the problems of an Ecu2bn project to bring natural gas from the Bulgarian border to Athens and set up a distribution network for supplying industrial and domestic customers.

The gas project, which is mostly funded by the EU and managed by DEPA, the state gas corporation, is already three years behind schedule. Although the main pipeline has been completed and Greece will start buying gas in January from Gazexport, the Russian gas supplier, DEPA will have only a handful of customers on its books when the project goes live.

Because of delays in setting up the legislative framework for distributing natural gas, construction of city gas networks has not yet started, while Greece's only gas-fired power station cannot be linked to the natural gas supply until a 70km subsidiary pipeline is built.

■ **Shipping:** by Louise Briggs

Market loses impetus

Increased capacity has reduced demand for new and second-hand vessels

The frenetic pace at which Greek shipowners were buying second-hand tonnage has slowed in recent months as newly-built vessels have increased the capacity of the international fleet.

Greek owners control the world's largest commercial fleet, representing 16 per cent of total cargo-carrying capacity. According to a study earlier this year by the Union of Greek Shipowners and its UK-based counterpart, the Greek Shipping Co-operation Committee, Greek owners control a total of 3,142 vessels totalling 126.12m deadweight tonnes. Despite a surge in new vessel construction by Greek owners, with 99 vessels on order at the time of the study, two-thirds of the Greek-owned fleet is over 15 years old.

Trading in secondhand tonnage is dominated by Greek owners, for whom asset plays are often as important as earnings from cargo carrying. While many deals go unreported, shipping analysts estimate that Greek owners last year paid a total of more than $2bn (£1.2bn) to acquire over 300 vessels totalling around 14m deadweight tonnes.

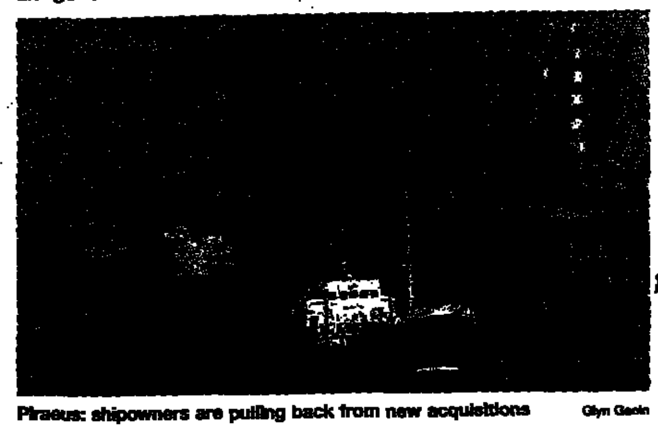
One UK-based ship broker estimates that another 13.5m deadweight tonnes was purchased by Greek owners between January and August this year for a total outlay of around $2bn. However, the trend has started to shift in recent weeks as Greek owners pull back from further acquisitions. One Piraeus-based broker says: "Potential buyers have been letting the cancellation date slip by without coming up with the 10 per cent down payment required."

The shipping industry has benefited from five years of healthy freight rates, particularly for dry cargoes, which have encouraged owners worldwide to invest in new shipbuilding.

At present, around five new dry cargo ships totalling about 350,000 deadweight tonnes are being delivered every week by shipyards in Asia. At the same time scrapping of ageing tonnage has slowed down because of strong demand in the second-hand market.

Piraeus-based owners and brokers believe that supply is now starting to outstrip demand in the dry cargo market. With freight rates showing a drop of 25 per cent on the year, speculation is strengthening that a downward adjustment in tonnage prices is imminent. One broker says: "Recently the differential between prices for new shipbuilding and for youngish second-hand tonnage has shrunk to the point where some owners are opting for new vessels."

The reluctance of Greek owners to commit themselves to new deals suggests they are waiting for second-hand tonnage prices to follow the downward curve of freight rates, with the aim of picking up the same ship for a bargain price. But with more new tonnage on the market, fewer charters may be available for older vessels. One analyst says: "There's a wealth of new ships being built but not enough ships going for scrap. There's nothing wrong with the demand side at the moment, but oversupply is bound to push freight rates down."



Piraeus: shipowners are pulling back from new acquisitions Glyn Genin

Greek owners are ordering several new ships from South Korean yards. The Carras group, for example, has placed a $170m order for four vessels of 168,000 deadweight tonnes each at the Halla yard. The Fostiropoulos group has ordered three 44,000 deadweight tonne vessels at $25m each from Daewoo.

They are already looking ahead to the introduction of the International Safety Management Code, which must be adopted by tankers, bulk carriers and passenger ships by the end of the century. According to the International Maritime Organisation, international shipping operations will have to manage their ships according to standard practices and companies will be subject to a management audit.

The code is expected to force Greek owners, who pride themselves on flexibility and fast decision-making, to run their operations in a more structured way. Decisions on ship sales and purchases are likely to become part of a longer-term strategy for fleet planning.

One ship manager says: "By adopting standards for a class of vessels, whether it's on spare parts procurement or any other aspect of management, you start taking a longer-term view of the business."

The code will have the biggest impact on medium-sized shipowners who control 10-15 vessels, rather than on larger owners who are already required to apply modern management practice because of the size of their fleet.

Nonetheless, the structure of the Greek shipping industry, in which large fleets can be built up from scratch over three to five years by owners willing to undertake high risks, or dissolved by owners withdrawing from the market after consolidating their gains, suggests that trading in secondhand tonnage will remain active for the moment.

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■ **The Athens stock exchange:** by Kerin Hope

Bourse needs reform

The Athens stock exchange would benefit from privatisations and pensions reforms

The Athens market has traded in a narrow range for much of this year, fuelling investor impatience for institutional reforms that would broaden the market and allow new products to be introduced.

The market was up 9 per cent on the year at the end of September, thanks largely to increased interest in Greek equities among foreign institutional investors. Daily share turnover improved over the summer to average Dr4.5bn (£12.2m) in September, compared with Dr3bn in the first quarter.

Market capitalisation reached Dr3.9 trillion at the end of September, an 18 per cent improvement in drachma terms from a year earlier. In US dollar terms, it has gained 24 per cent thanks to the "hard drachma" policy which has revalued the Greek drachma against the dollar in the past 12 months.

But with interest rates on tax-free government bonds still at over 14 per cent, local investors have little incentive to switch to equities. The index has recently been sluggish, failing to test the 1,000 level which analysts consider the springboard for another rise. Many forecasters expect that the market will stay quiet for the rest of the year.

Mr Theodore Degarmenciog-lou of Midland Pantelakis Securities says: "There's some speculation in small capitalisation stocks by local investors and the blue chips continue to attract institutions from abroad. But there's no driving force behind the market."

However, a more stable economy helps to underpin the index, with inflation maintaining a steady decline. Growth is picking up with the launch of several major projects co-financed by the European Union and with a spurt in private-sector investment.

Listed companies announced better first-half results, while projections for 1995 earnings are optimistic. The outlook seems promising for construction and metallurgical companies, which should do well out of EU-backed infrastructure projects. Food processors with plans to expand their presence in other Balkan markets should also prosper.

> The outlook is particularly promising for construction and metals companies

The market's strengths are overshadowed by political uncertainty. The bourse reacts immediately to rumours about prime minister Andreas Papandreou's health, a dispute between rival factions in the governing Socialist party, or fears that events in Bosnia may be taking a turn for the worse.

Now is the time, analysts argue, for the bourse authorities to introduce long-promised reforms to improve the efficiency of transactions, increase volume, and attract larger numbers of domestic and foreign investors.

Mr John Marcopoulos, head of Sigma Securities, the biggest Greek brokerage, says: "Greece is a small market in terms of an international stock exchange. Market capitalisation is low, at around 15 per cent of gross domestic product. There's a lot of potential for growth, but the authorities must provide some impetus."

Almost 50 Greek companies joined the bourse last year, raising Dr100bn in fresh capital. They included a sizeable number of industrial companies for whom a listing was part of a management overhaul undertaken to boost competitiveness in the single market.

But the pace of new listings slowed this year, after the bourse set tighter regulations for would-be entrants following the failure of several newly-listed companies to meet earnings projections for 1994. The size of public offerings has also shrunk this year, averaging around Dr1.5bn.

One way of deepening the market would be through flotations of public sector enterprises. But plans for offering minority stakes in public utilities have been scaled back and delayed. The much-discussed listing of OTE, the state telecoms company, has been reduced from 12 to 8 per cent of the company and will not take place before next year.

Liberalisation of Greek capital markets in recent years does not yet extend to pension funds, whose limited equity holdings are generally restricted to shares in state-owned banks. The economy ministry is studying ways of freeing more than Dr1.5 trillion in pension fund assets so that both private and public sector funds can appoint specialist managers to handle investments in the stock exchange.

But given the finance ministry's continuing need to raise large amounts of debt financing, analysts believe that state pension funds are unlikely to be given the go-ahead to switch more than a fraction of their assets from government paper to equities.

The Athens stock exchange does not yet offer any derivative products, while the domestic bond market remains undeveloped, despite the finance ministry's regular issues of treasury bills and floating rate notes amounting to over Dr200bn monthly.

Moreover, there are practical restrictions on trading, as shares in many listed companies remain in the hands of a few family members, limiting the market's free float to an average 20 per cent.

While steps have been taken to dematerialise shares traded on the bourse, physical settlement is still the general rule. Custody also raises problems, especially for overseas investors as only a few Greek banks provide custody services to international standards and charges are much higher than in other emerging markets.

The stock exchange itself charges a transfer fee amounting to 0.3 per cent on transactions of registered shares, which are handled through a computerised book entry system.

Ms Mariella Porfyratos, head of the Greek desk at Carnegie International in London, says: "Though brokers' commissions have been liberalised, custody arrangements are already expensive by comparison with other European markets. The extra burden of a transfer fee in Greece has an impact on margins that institutional investors must take into consideration."

However, reform of the stock exchange means shaking off political controls which still have a dampening effect on Greece's financial sector. Although the bourse is nominally independent, its status as a public sector entity means that, like state-controlled banks and pension funds, its managers are sometimes subjected to pressure from government officials.

Professor Manolis Xanthakis, the stock exchange chairman, says: "It's very difficult to overcome the bureaucratic mentality, with its fears about new products. We planned to launch derivatives this year, starting with options on the index and moving gradually to more complex products. But it's been delayed once again because of lack of backing at the political level."

Brokers on the Athens stock exchange are lobbying for structural reform to broaden the market

■ **Accounting:** by Kerin Hope

Unreliable numbers

The poor quality of local auditing is a headache for public sector organisations

The socialist government's discovery in Greece's national accounts of a Dr950bn (£2.6bn) error in its favour underlines the problems it faces in reforming the country's auditing system.

Economy ministry accountants overlooked an increase in state pension fund and hospital revenues for three successive years. The pension funds moved into the black after a sweeping overhaul of Greece's welfare system in 1992 and were earning high incomes on investments in government bonds. The cash accounting system used at Greek state hospitals failed to record higher transfers for equipment and drugs, while keeping full track of outlays, say health ministry officials.

The government's satisfaction at the windfall was overshadowed by its discomfiture at losing track of an amount equivalent to almost 5 per cent of Greece's gross domestic product.

The unreliability of local accounting is important now that Greece is receiving an extra Ecu3bn (£2.5bn) yearly in European Union structural assistance, which is mainly paid to government ministries.

Increased foreign investment in listed Greek companies, including state-controlled banks, adds to worries about auditing standards.

These are likely to increase as state-owned utilities join the bourse under the government's programme for partial privatisation through flotations of minority stakes.

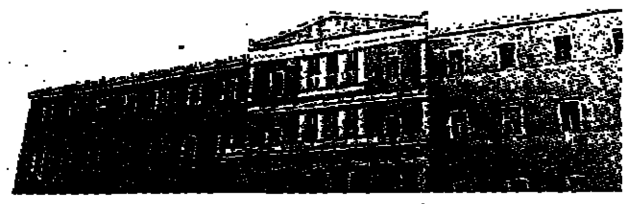
Auditing gaps are not confined to the national accounts. State corporations in the broader public sector, including public utilities and transport companies, do not always fulfil the statutory obligation of an annual audit by SOL, a quasi-state auditing body.

One reason is a Greek political tradition that the governing party dips into the earnings of state corporations before an election in order to finance its campaign.

The finance ministry now plans to set up an auditing group to monitor the national accounts. This would also be empowered to examine the books of state enterprises, pension funds and other bodies.

Considerable political will is needed to bring Greek auditing up to EU standards. SOL has a monopoly of statutory audits of state corporations, state-controlled banks and companies listed on the Athens stock exchange.

Not only does this arrangement conflict with single market rules, but there are doubts whether SOL's accountants, who are trained within the organisation, can master the increasingly complex task of auditing Greek banks and companies which have been expanding rapidly in EU and eastern European markets.



The Greek parliament: legislated for more competition

SOL's 200 members transformed themselves into a private partnership two years ago.But they have not modernised their accounting methods, say members of the big six international accounting firms.

Mr George Cambanis of Deloitte & Touche says: "Greek accounting is designed to meet the minutiae of tax regulations and, as a result, misses the big picture. There has been no input of international skills in recent years and the business issues of an audit don't get addressed."

With backing from the EU and the US administration, the international accountants have fiercely fought SOL's monopoly of the top tier of Greece's accounting business. Their campaign appeared to have paid off when the government passed legislation last August providing for free competition in the accounting profession from mid-1997.

But since the government has so far made no move to establish a framework for Greek auditing after SOL's monopoly is abolished, there are fears that, as has happened in the past, it will be quietly extended.

SOL's chairman, Mr Constantine Aessiopoulos, maintains that his partnership is not afraid of competition because it offers "auditing that matches the standards of international accounts, together with an unrivalled knowledge of the intricacies of Greek business law".

With more than 2,000 Greek companies required to undergo a statutory yearly audit, the big six accounting firms are not short of work. They are also much in demand as management and tax consultants to Greek companies undergoing restructuring.

Greek managers say the limitations of local audits have become more obvious as their companies acquire an international outlook. The big six accounting firms often find themselves expending large amounts of time and energy restating SOL-approved balance sheets in international terms.

Mr Peter Benson of Coopers and Lybrand told a recent seminar in Greece: "The process of restating Greek balance sheets in a way that makes sense to an international investor is immensely frustrating and time-consuming."

The only Greek state corporation that is presently audited to international standards is OTE, the state telecoms monopoly, which hired Arthur Andersen to overhaul its balance sheet in preparation for a partial flotation on the Athens stock exchange.

A previous conservative government took on Price Waterhouse and Coopers & Lybrand to carry out audits and evaluations of other state corporations due to be restructured or privatised. These included the Public Power Corporation, the electricity monopoly, OSE, the state railways organisation and Olympic Airways, the state carrier.

The international accountants were summarily dismissed after the Socialists came to power in 1993 and drastically scaled back the privatisation programme. More galling still, most firms are still waiting to be paid for their services.

■ **Greek investment in eastern Europe:** by Robert McDonald

Familiar uncertainties

Greek companies adapt well to the eastern European business environment

Greek businessmen are presently committed to investments totalling more than $500m (£316m) in former communist states, according to a recent survey published by Viomihaniki Epitheorissis, the Greek business magazine.

Seven Greek projects, from banking to waste processing, have already won backing from the European Bank for Reconstruction and Development. Another four are in the pipeline.

Major Greek banks have opened branches or representative offices across the Balkans and are now moving into the Black Sea region.

Many Greek businessmen say they prefer the risks of entering eastern European markets to the difficulties of trying to stay competitive in the EU's single market.

The contradictions of Greek economic policy in the 1980s meant that companies grew accustomed to operating in an environment of political uncertainty, high inflation and currency instability not dissimilar to present conditions in former-communist states.

Mr Constantine Tsoukalides, general manager of Intracom, the Greek telecoms equipment manufacturer which has set up joint ventures in Russia and the Balkans, says: "We are much at home in these countries. We understand the contradictions, the problems with customs, the problems with the tax department and so on."

Greek companies have another advantage, described by Mr Tsoukalides as "human capital that hasn't yet been properly tapped by the Greek economy". This is a reference to the second-generation Greeks living in eastern Europe.

While western European companies focused on Russia and the Visegrad group of central European states after the collapse of communism, Greek companies looked first to the Balkans.

Greece's biggest listed food and beverage companies were quick to move into Bulgaria and Romania, where they are now firmly established. Delta Dairy, the milk and ice-cream producer, has invested a total of $15m in a joint venture making ice-cream in Bulgaria and in distribution systems for Romania, Albania and the Ukraine.

Hellenic Bottling, which holds the Coca-Cola franchise for Greece and Bulgaria, is building a $15m canned drinks plant on a greenfield site in Sofia. Its parent company, the Cypriot-owned Leventis group, has invested a total of $165m in bottling plants after acquiring Coca-Cola franchises in Romania, Moldova, Armenia and southern Russia.

Most Greek companies invest in the Balkans through joint ventures with local businessmen. But as privatisation programmes pick up speed in Romania and Bulgaria, Greek companies are expected to acquire companies outright.

Thrace Papermills, based in the northern Greek town of Xanthi, paid $16m to acquire two plants being privatised in Hungary and spent another $7m on modernisation. By making the investment before the end of 1993, the company benefits from a five-year tax holiday under Hungary's investment incentive law.

The companies, Piszkei Papir and Szentedrei Papirgyar, based near Budapest produce toilet rolls, paper napkins and wrapping paper and claim a 50 per cent market share in toilet paper.

Mr George Angelopoulos, general manager of Thrace Papermills, says: "We were offered an opportunity under the Hungarian privatisation programme and we grabbed it. We now have more capacity abroad than at home."

Greek entrepreneurs are also moving further afield. Meton-Etep the construction to oil trading and insurance conglomerate controlled by the Arfanis and Hionis families, has invested over $52m in Ukraine in agribusiness, food trading and distribution.

The group has established a series of joint ventures with Ukrainian farm co-operatives to produce tomatoes and sunflowers, and raise cattle and pigs. The co-operatives have been placed under Greek management and are integrated with local processing and packing plants.

Meton-Etep has invested another $21m in trading operations in Ukraine to import food products to the state and export heavy machinery. It is building warehouses along the Don and Volga rivers and has chartered two vessels that are small enough to reach Volgograd. In winter, the ships dock in the Azov Sea and goods are shipped by truck.

Mr Thanassis Karachalios, Meton-Etep's head of industrial products and oil-trading, says the group has drawn extensively on its experience of trading in Arab countries in developing projects in Ukraine.

Until now Meton-Etep has financed projects in the former Soviet Union out of own resources. But as growth accelerates, with up to $110m of investment planned over the next two years, the group is looking for outside financing.

> **EBRD backing is crucial to many projects abroad**

Another diversified Greek group, Vardinoyannis, is the majority shareholder in Varust A/O, which is building a $90m reprocessing plant for waste lubricating oil at Armavir in Russia's Krasnodar region. The plant will use the same technology as the Vardinoyannis group's processing unit in Greece to make lubricants for vehicle and marine engines.

According to Mr Yannis Vardinoyannis, in charge of the group's activities in Russia, most output will be sold in Russia, but if this proves difficult at first, one of the group's Greek companies will absorb the excess.

Mr Vardinoyannis says it will take time to build a market "because of having to set up our own distribution network, both wholesale to existing petrol distributors and retail to large customers".

The group has alread developed a broad range of commercial activities in Bulgaria through a Cyprus-based holding company, Bulvar Enterprises. Its strategy is to set up joint ventures with local partners in which Vardinoyannis holds a majority stake.

The joint ventures include a chain of petrol stations and operations importing cars and accessories, food products and computers, as well as a ski resort.

Regardless of sector, Greek companies say they do not expect a quick return on their investments in eastern Europe. Many say they are committed to re-investing profits for at least three to five years.

■ **Tourism:** by Kerin Hope

The prospects are poor

Tourists spend too little time and money in Greece for the liking of the government

Greece is no longer happy to be a budget-holiday destination

Greece's multitude of islands still offer unspoiled beaches and clear water, especially in the central and eastern Aegean. But crowded ferries, overbooked airliners and low-quality accommodation can deter all but determined backpackers.

Almost 60 per cent of visitors to Greece opt for a package holiday in a resort hotel on the islands of Crete, Corfu or Rhodes. The average tourist now stays for 10 days rather than two weeks and spends less than $300 in local shops and restaurants.

This year, tourist arrivals are projected to decline by 12 per cent to around 9.7m. Tour operators expected a rise in hotel charges to be offset by currency depreciation. But the drachma's strength over the summer caused a wave of cancellations.

Mr Stavros Andreadis of Sani, a northern Greek holiday centre, says: "Greece now attracts low-spending tourists, often people taking a second, shorter holiday. We can't fully exploit the advantages of a long season, a huge variety of landscape and an exceptional cultural heritage, largely because there's no policy framework for tourism."

Tourism is Greece's largest source of income, accounting for an estimated 9 per cent of gross domestic product. The tourist industry is also the biggest employer, absorbing about 11 per cent of the workforce in the peak summer months.

However, spending on tourism infrastructure, monuments and museums accounts for less than 2 per cent of the state investment budget.

Greece is a popular sun-and-sea destination, particularly with British and German visitors. There is considerable potential for growth in niche sectors like marine and ecological tourism.

But after 20 years of intensive development, older hotels are in urgent need of refurbishing and the wear-and-tear on the coastal environment is starting to show. Greek tour operators point out that in the package tourism market Greece lags behind Turkey on price and Spain on quality. It is failing to attract high-spending visitors.

A study by SETE, a private-sector association of hoteliers and travel agents, and Horwath Consulting Hellas identifies a series of obstacles. These include inadequate facilities at provincial airports, which are not equipped to handle large numbers of passengers; a shortage of first-class and luxury hotels; strikes by guards at archaeological sites; low standards of service at hotels and restaurants; and a lack of environmental awareness.

The dearth of luxury hotels, which account for less than 1 per cent of Greek hotel capacity, is partly due to a ban on building new resorts in the 1980s, on environmental grounds.

Permits were granted instead for building small hotels in less developed areas. Apart from a few conversions of traditional mansions on the islands, these hotels belong mostly in the second-class and third-class categories and have few facilities.

Incentives in the form of tax breaks and grants are now available for building luxury resort complexes in undeveloped areas which would include marinas, conference centres and golf courses. But there will be few applications until the infrastructure in regions offered for development is improved.

The state tourist organisation, EOT, controls many of Greece's tourist assets, among them campsites, beaches, marinas and a ski resort. It also has charge of undeveloped sites near Athens and on Rhodes and Crete which will be offered on long leases to private developers.

An injection of private capital is crucial to improving standards at facilities owned by EOT. Its Xenia hotel chain, for example, built in the 1960s to serve tourists visiting ancient monuments on the Greek mainland, occupies spectacular sites but has not been refurbished for over a decade.

The first move came last month when a Greek-Italian consortium was awarded a 20-year lease to operate a marina at Gouvia on Corfu. It is likely to be the first of a series of leasing arrangements between EOT and private companies, which should lead to a rapid expansion and upgrading of marina capacity in the Greek islands.

The consortium plans to invest Dr2bn (£5.4m) in increasing yacht berths at Gouvia from 450 at present to 800 and add facilities for refuelling and waste disposal as well as telephones and medical services. To bring the marina up to the standards of the western Mediterranean, bank branches, a supermarket and tennis courts will also be built.

Mr Dimitris Politis of Gnomon, a Greek construction company participating in the consortium, says: "Greece has great potential for developing first-class marinas through partnerships between the private and public sectors. We anticipate a tremendous demand for yacht berths over the next decade."

Demand for berths at Greek marinas is growing steadily. The war in Yugoslavia has displaced many yachts. And marinas in the western Mediterranean, where the numbers of pleasure craft are rising at a rapid rate, face growth restrictions.

IOBE, an economic research group, forecasts that Greece will need more than 17,000 new berths in the next three years. EOT's plans provide for the construction of 24 marinas, mainly by local authorities and private companies. But only 12,000 extra berths are likely to be available by the end of the century.

Local authorities and the private sector are expected to play a bigger role in clean-ups of coastal areas under a programme launched by the environment ministry.

This summer, the ministry paid for daily cleaning of several hundred kilometres of beaches around Athens and on nearby islands. This is to be extended in 1996 as more local authorities take responsibility for neighbouring coastlines. Private companies will be invited to sponsor environmental protection along popular stretches of coastline.

Mr Theodore Rentzos of RAM, which manufactures beach-cleaning equipment and cleans coastlines around Athens, says: "Clean beaches are part of the tourist product, but it's only in the past couple of seasons that hoteliers' associations and municipalities have started to take action. This year rubbish levels started to decline. Fewer people left their cigarette butts and peach stones in the sand."

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UK ELECTRICITY

Takeovers redraw industry map

Michael Smith on the forces shaping one of Britain's most talked-about sectors

Rarely, if ever, has a UK industry faced so much upheaval in such a short period of time.

It is not just that more than half of the 12 regional electricity companies in England and Wales have received takeover offers, some welcome, others not. As important has been the identity of the companies making the bids.

Takeovers by those already involved in electricity – including National Power, PowerGen and Scottish Power – will produce big integrated companies combining generation and distribution, in sharp contrast with the structure at privatisation almost exactly five years ago.

At the same time, powerful regionally-based utility groups will emerge from the takeover of power companies by water utilities. North West Water has already taken over Norweb while Welsh Water is making moves on South Wales Electricity (Swalec).

The creation of super-utilities, either by combining electricity generators with distributors or by adding electricity companies to water companies, is not welcomed by some free market champions who believe it concentrates too much power in industries that, at least in part, remain monopolies.

An industry that has been exposed over the past year to strong criticism – fanned by the press – from the public and from politicians over what are seen as excessive rewards for shareholders and industry executives, is faced as a result with another controversy to add to the issues already dogging it.

These include the forthcoming flotations of National Grid, the transmission company, and British Energy, the nuclear power group, both of which are being used by the Labour Party to point out what it sees as faults in utility privatisation.

Mr Tony Blair, the Labour leader, does not intend to take any electricity companies back into the public sector, in part because the state could not afford the price tag. But he and his colleagues have already announced plans for significant changes in the way the industry is regulated and for a tax on the so-called "windfall profits" of the water and electricity companies, which they believe have resulted from slack regulation. Estimated as likely to levy some £3bn on the privatised utilities, Labour believes it will be enough to kickstart its employment creation programme if it gets into office.

Investors have so far tended to focus on the potential effects of the windfall tax but it is unlikely to affect significantly the companies' ability to increase their payments to dividends.

Instead, the proposed regulatory changes would probably have a bigger impact in the long run.

Analysts believe that even with the windfall tax the regional electricity distribution companies – whose profits mainly come from distributing power – should be able to increase dividends by considerably above the stock market average.

The companies' ability to do so reflects what in retrospect were remarkably generous terms for investors, resulting from the flotations in 1990 and 1991.

The companies got away with good privatisation settlements in part because no-one – not even the electricity executives – foresaw there would be so much scope for cutting staff and increasing efficiency. The England and Wales generators have reduced their numbers by more than half and the regional companies by at least 25 per cent.

While electricity bills have come down since privatisation, consumer groups say the bulk of the efficiency savings has gone to shareholders through higher than expected dividends and share price rises.

The regional electricity companies in particular have struggled to defend themselves against the charges of excess. The fact that, until March of this year, they were allowed to increase the prices they charge to distribute the power – an activity that generates the bulk of their profits and contributes to about a quarter of the final cost of electricity – weakened their case.

Critics of the industry and privatisation place much of the blame with Professor Stephen Littlechild, power industry regulator, and the regulatory system that he helped set up.

Under the government's and his regime for utilities, prices are allowed to rise or fall by a certain number of percentage points above and below inflation.

The Labour Party has made no secret of its desire to see the end of Prof Littlechild and his regime if it takes office. Under its preferred system there would be what it considers to be a fairer distribution of efficiency spoils, with profits above a certain level being split between shareholders and consumers.

Prof Littlechild says he has an open mind about such proposals but appears unenthusiastic. He says he held back from re-opening the pre-March 1995 price controls in part at least because they were set in place (by the government, he stresses, rather than by himself) when the companies were floated; altering them would have broken faith with investors. In addition, the price controls he established for the five years from March 1995 (admittedly after two bites of the cherry – an earlier review was widely criticised as being too lax) are the toughest ever announced by a UK regulator, depriving the companies of £3.75bn of potential income.

Critics point out that they were not tough enough to deter National Power, PowerGen, Scottish Power, Hanson, Southern Company and Central and South West of the US, and North West Water from making bids for seven companies. But many analysts believe that this is an unconvincing argument. The companies were able to mount successful bids because they could see value in the companies that the stock market had not built into their share prices.

Nonetheless, the bids add to a feeling that Prof Littlechild is powerless to stop the changes in the industry he regulates. After all, he has argued that some of the offers should be referred to the Monopolies and Mergers Commission.

In rejecting him – so far at least – the government has countered that it is up to the market to decide the future shape of the industry.

With more bids almost certainly in the offing, the precise shape will take some time – perhaps even years – to develop. But, just seven months after the government's bid-blocking "golden shares" in the regional companies expired, the broad outlines are apparent.

If the government assents to the National Power bid – and that seems the most probable outcome of its deliberations – the power sector is likely to be dominated soon by four or five large companies with interests in both generation and distribution. Hanson will almost certainly be one of them, following its acquisition of Eastern Group.

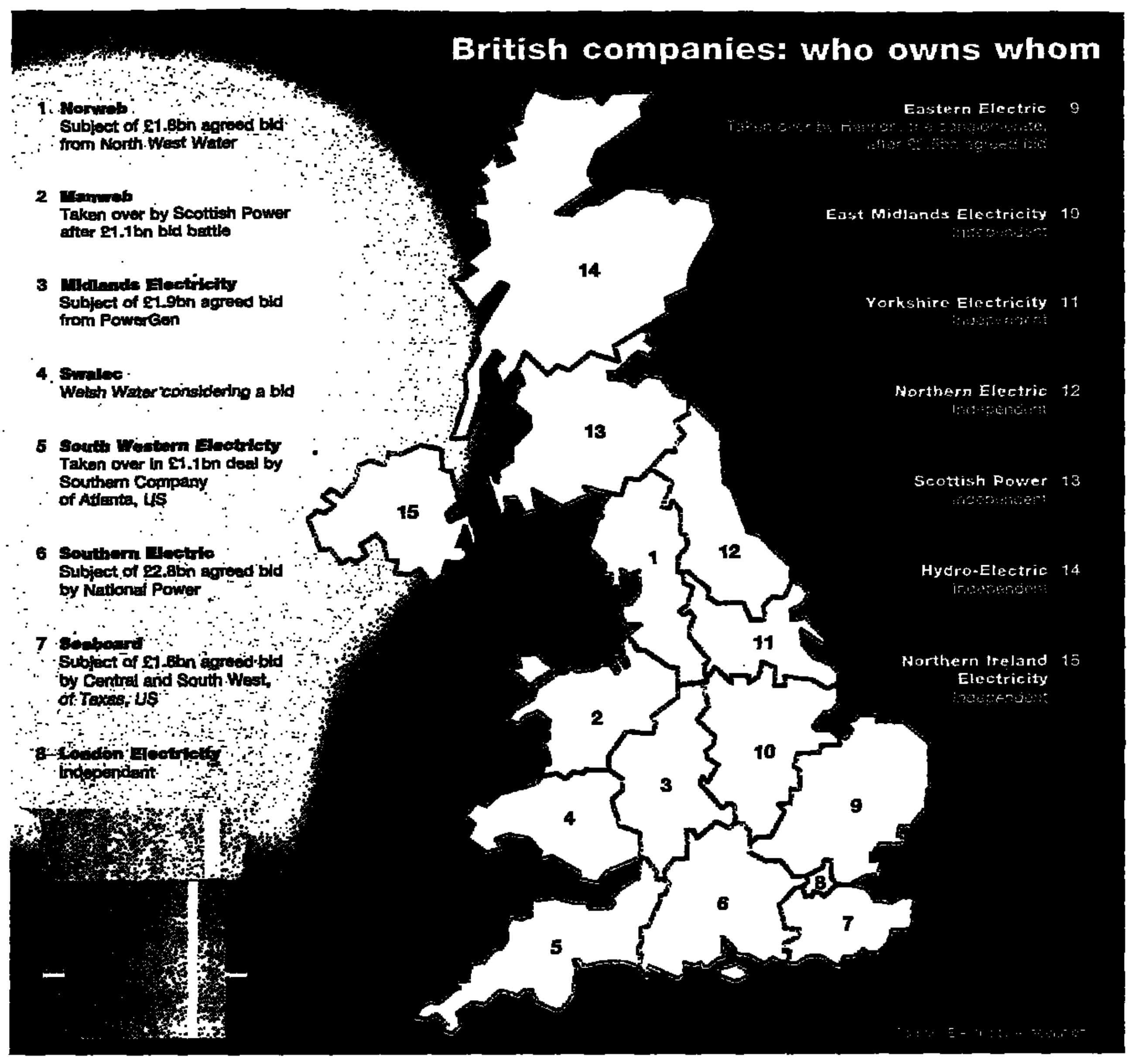
But not all of the electricity companies will necessarily be part of large vertically integrated power companies. Some may follow the route of Norweb and agree to be swallowed up in a large utility-based organisation.

Other regional electricity companies (recs) may try to effect mergers within the sector. Some of the five remaining independent recs would prefer to combine with each other – and reap the benefits of joint cost-cutting – than to be taken over by companies with which they have less synergy.

Another one of their options is to remain independent. One way to achieve this would be to follow the example of Northern Electric, which has handed out large amounts of cash to shareholders to make itself less attractive to potential bidders.

Because the government holds a permanent golden share in them, the two Scottish companies and Northern Ireland Electricity enjoy some protection from takeovers. But the golden shares are not a guarantee against successful bids; ministers have the authority to assent to takeovers.

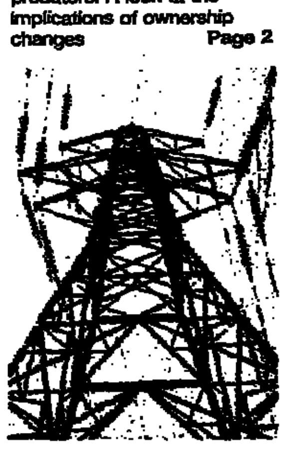
Like every company in the sector, Scottish Power, Hydro-electric and Northern Ireland Electricity will have to keep their wits about them to try to ensure they are satisfying both their customers' and their shareholders' needs.



IN THIS SURVEY

● Nuclear frisson: the idea of privatising the likes of Sizewell used to cause shockwaves in the City. Why the sell-off case is now stronger

● Regional accent: the recs continue to be a focus for predators. A look at the implications of ownership changes Page 2



● The great escape: what the demerged National Grid will do with its freedom

● Not with a bang but a whimper? Deregulation in 1998 is intended to create an explosion of consumer choice. But many feel it may backfire Page 3

● Pay as you burn: why executive remuneration has given the industry a bad name

● It's a watchdog's life: few people have had such a tough time as the beleaguered regulator, Professor Stephen Littlechild. Who's to blame? Page 4

■ **Fossil fuel generation:** by Michael Smith

Duopoly under threat

New competition means PowerGen and National Power are not the force they were

Five years after electricity privatisation the debate about its merits and demerits is as heated as ever. But on one aspect of the sell off there is near unanimity.

Virtually everyone – ministers included – agrees that the government was at fault when it privatised the England and Wales fossil-fuel generation industry as just two companies. The result has been that competition in this part of the industry – which claims the largest chunk of final electricity bills – has been limited.

National Power and PowerGen repudiate any suggestions that they have colluded as a so-called "duopoly" to raise prices. And several inquiries by Professor Stephen Littlechild, power industry regulator, have cleared them of anti-competitive behaviour.

Nonetheless, the generators' influence remains strong. Even with generation competition increasing, the two companies retain the whip hands in determining prices in the wholesale electicity pool – through which virtually all electricity in England and Wales is traded.

Change, however, is on the way. This is partly as a result of action taken by Professor Littlechild to force the generators to sell off 6,000MW of plant, and partly as a result of the growing number of players entering the market anyway. Nevertheless, it may be some time yet before pool prices are determined regularly by more than two or three companies.

Prices are set half hourly at the level charged by the most expensive generation unit needed to operate the system. The creation of only two fossil fuel generation companies at privatisation resulted from what was seen as the need to have one company, National Power, which was large enough to incorporate nuclear power stations.

In the event, the nuclear stations were retained in the public sector because of City reservations about buying them. But by the time that decision was made, in late 1989, it was too late for the government to split up National Power and PowerGen and still carry out its 1991 flotation plan.

National Power and PowerGen never had the market to themselves. In 1991 exports from Scotland and France amounted to 8.5 per cent of the England and Wales market; Nuclear Electric had 18.5 per cent; and the National Grid transmission company's generation arm had nearly 1 per cent.

Nonetheless, that left National Power and PowerGen with 44 per cent and 28 per cent respectively, a total market share of 72 per cent.

Subsequent increases in competition are in part a result of the European Commission's decision in the early 1990s to lift a ban preventing countries from using gas to generate electricity.

Gas power stations are considerably more economic than new generation units that use coal or nuclear technology. The regional electricity companies saw their chance to enter the market and reduce what they saw as the National Power and PowerGen duopoly.

All but one of them, Manweb, subsequently participated in the so-called "dash-for-gas" by building combined cycle gas turbine stations, either by themselves or in partnerships.

The regulator found no evidence that the companies were committing themselves to uneconomic supplies and, to the fury of the UK coal lobby, allowed them in 1993 to go ahead with their gas projects.

The likely result of this – and subsequent decisions by National Power, PowerGen, Hydro-Electric and other companies to build gas stations – is that by the turn of the century less than 30 per cent of England and Wales electricity will be generated from coal, against 70 per cent in 1990. Gas's share should have risen to more than 40 per cent against almost nothing in 1990, with the rest belonging to nuclear power.

The dash-for-gas has had a devastating effect on the mining industry, which now has fewer than 25 deep mines pits left compared with more than 50 at the start of the 1990s and more than 200 a decade ago. It has, however, eased the government's problems in defending itself against charges that it made a fundamental error at privatisation. The two large generators now have less than 60 per cent of the market and their share is likely to fall below 50 per cent in the next few years.

Professor Littlechild's securing last year of agreements by National Power and PowerGen to sell off 6,000MW of plant could be of even greater significance than the dash-for-gas in increasing competition.

The rising number of companies operating gas stations has had an obvious effect on competition but it does not necessarily increase the number of companies that set prices in the electricity pool.

As stated earlier, the pool price is set set at the level of the most expensive bid made by the generators. However, "independent" power stations – those that are not aligned to the two large generation companies – can afford to "bid" very low prices into the pool. This is because they tend to have hedging contracts with the regional electricity companies that partly own them; it is these, rather than the pool price, that determine what they are paid for the electricity generated.

Consequently, PowerGen and National Power still tend to determine the pool prices (although EdF, the Grid and even the Scots do so on occasions, too). Professor Littlechild's stipulation that they dispose of plant by the end of 1995 is designed to remedy this. PowerGen has already announced plans to lease for 99 years two plants with a combined capacity of 2,000MW to Eastern Group, part of the Hanson company. Eastern intends to make sure they set the pool price with some frequency.

National Power has also announced its intention to sell three power stations that would also be capable of running at marginal levels, although it has yet to settle on a buyer. It is talking to Eastern, and to the US companies Enron, AES and Mission.

■ **Nuclear power:** by Michael Smith

Utilities' last privatisation taboo

The government's sell-off campaign is set to break ground that the City never thought possible

The government's campaign to privatise the most significant part of the nuclear power industry has got off to a predictably difficult start.

Alarms over safety and the proposals for a takeover by Nuclear Electric, based in England and Wales, of Scottish Nuclear have been seized upon by the opponents of a sell-off, including the Labour party.

Nonetheless, the government remains determined to complete the sale of the eight nuclear power stations earmarked for disposal by the summer of next year.

The likelihood is that it will succeed. Assuming it does, industry executives can claim a success that they once thought was beyond them.

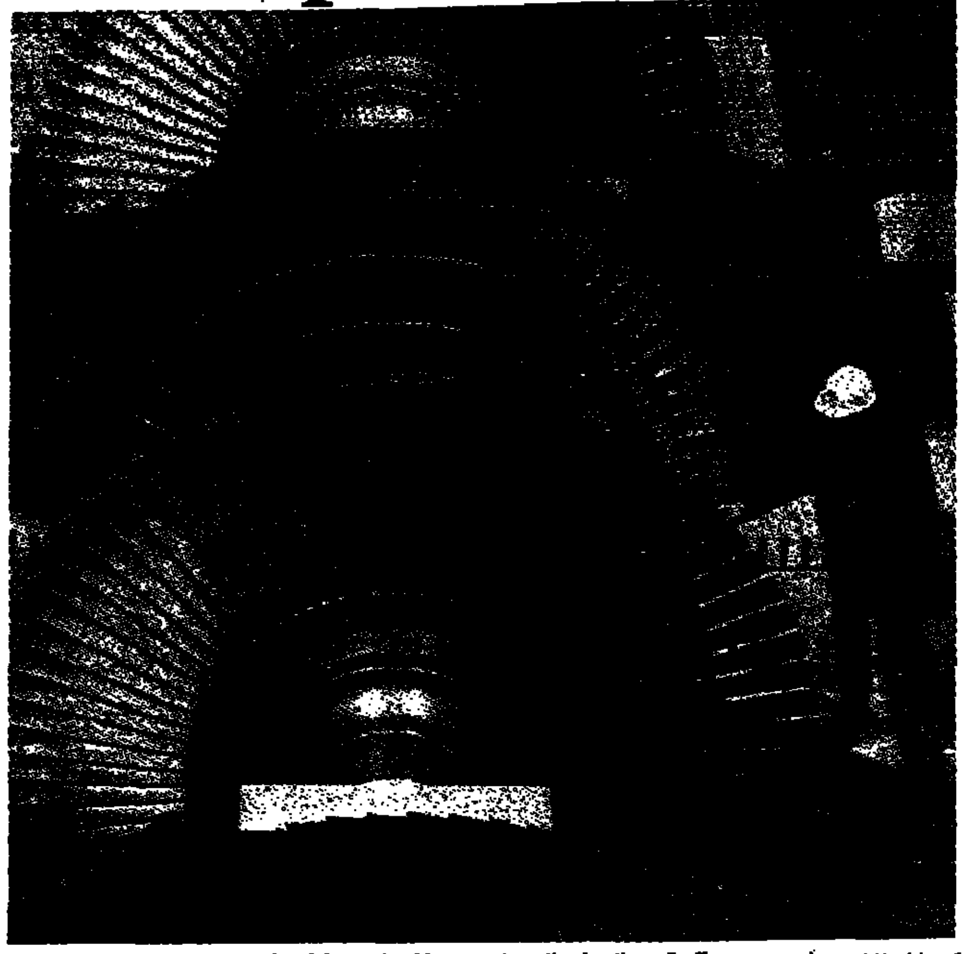
This time last year, Nuclear Electric and Scottish Nuclear had all but given up hope of a receptive hearing for their pleas to ministers for a transfer to the private sector.

Ministers and civil servants remembered the bruising the government received in 1989, when, under threat of revolt by the City, it was forced to withdraw plans for selling off nuclear power stations along with the rest of the electricity industry. However, sceptics were persuaded by Nuclear Electric and Scottish Nuclear that much had changed since then.

Although the older Magnox stations with their large and uncertain liabilities remain unsellable – and will, therefore, stay in the public sector – the seven advanced gas-cooled reactor stations and the new pressurised water reactor plant at Sizewell B could be made attractive to potential buyers.

In six years, Nuclear Electric has transformed its AGRs from among the worst performing nuclear power stations in the world to among the best. Sizewell B now has a track record, having started producing electricity earlier this year.

Both companies have radically improved efficiency, and staff cuts implemented by Nuclear Electric are on a par with some of those of the privatised electricity companies.



Sizewell B: started producing electricity earlier this year, strengthening the sell-off case — Ashley Ashwood

Although the department of trade and industry was still sceptical about privatisation at the start of this year, the Treasury was enthused by the amount of money that could be raised.

The estimated £2bn to £3bn will almost certainly be used to fund tax cuts in the run-up to a general election due by spring 1997.

Treasury ministers – and eventually their colleagues in *the DTI – also saw a chance in* nuclear privatisation to present the government as one that still had a radical agenda.

The Labour opposition has made much political capital out of what it believes are the failings of privatisation. But many Tories are irked that the public has failed to see what the party believes are its successes; not least a considerable increase in the efficiency of former state industries, including electricity, and a reduction in the prices they charge consumers.

To drive the point on prices home, the government intends to end the so-called nuclear levy – an 8 per cent levy on electricity bills to pay for the decommissioning of power stations – at the time of nuclear privatisation.

The benefit to an average family with a household power bill of £300 should work out at about £25 a year.

Ending the levy two years earlier than the planned 1998 will leave a hole of several billion pounds in funds to deal long term with waste and to *decommission the Magnox stations*, which are staying in the public sector. But presumably the government believes that problem can be tackled by future generations of taxpayers.

Its more immediate difficulty is to address public concern that power stations will be in less safe hands after they move into the private sector.

The problem was highlighted by a court case in the summer when Nuclear Electric pleaded guilty to four charges of safety violations after a section of crane dropped into one of 6,000 fuel channels in its Wylfa reactor in Anglesey.

And last month Mr Richard Killick, Scottish Nuclear's director of safety until two months ago, warned that safety could be compromised by privatisation.

He said that plans to reward staff and executives of the privatised company with profit-linked remuneration and share options could lead to a "significant distortion" in safety as earnings growth became an important target.

*However, evidence from pri*vatisation of the rest of the power industry, which was sold off between 1990 and 1993, is that the safety record improves. Accident levels have fallen. In addition, the nuclear industry will continue to be monitored by the Nuclear Installations Inspectorate, which is confident its ability to do its job will be improved after the sell-off.

There is evidence from the US to back this. The record of state-owned weapons plants supervised by Washington's Department of Energy is "far dirtier" than those of privately owned nuclear plants, according to a US official involved in handling nuclear waste.

Nonetheless, the UK government has an uphill task to convince the electorate that safety will not be at risk.

By contrast, much of British industry will heave a sigh of relief if British Energy, the company combining Nuclear Electric's and Scottish Nuclear's most modern stations, is privatised.

With the nuclear industry in the public sector, there has always been the suspicion or fear that the government, whether Conservative or Labour, would be tempted to subsidise it further.

Nuclear Electric has for long suggested that subsidies would be a price worth paying because nuclear power provides the UK with a diversity of supply in its choice of fuel *for generating electricity.*

It wants to build a new power station, Sizewell C, in Suffolk, but acknowledges this would be difficult without "state support", read by many as a euphemism for subsidy.

In the government's recent nuclear review, a year-long exercise that culminated in the privatisation decision, ministers made clear they would not be prepared to subsidise future nuclear power construction.

The Labour party is still working out the energy policy it will present at the next general election. Several shadow ministers, including Mr Jack Cunningham, former industry spokesman, are thought to believe that subsidies should not be be ruled out.

However, they accept that providing state aid would be virtually impossible if the industry was already privatised when the Labour party got into power.

Labour will oppose privatisation but it has no plans to take British Energy back into gov*ernment ownership if the sale* has already been effected.

All of this means that unless the economics of generation changes significantly in the next few years, the privatised part of the nuclear power industry is more likely to invest in other forms of generation, including gas-fired power stations, than in projects such as Sizewell C.

That is a blow for the nuclear industry. But some believe it is a price worth paying for being allowed to move into the private sector.

■ **Regional electricity companies:** by Michael Smith

A story of surprising changes

As only half its companies remain independent, the sector cannot afford to relax

Ownership change in the electricity industry was always on the cards following the expiry in March of the government's golden shares in the regional electricity companies. But few people successfully predicted the scale of the transformation or its nature.

Most of the smart money early this summer was on Northern Electric, which was expected to face a renewed bid from Trafalgar House. (The conglomerate had withdrawn an earlier £1.2bn attempt only after the electricity regulator announced plans to revise price controls.)

Other bid speculation tended to centre on smaller companies, such as South Wales Electricity (Swalec), South Western (Sweb) and Seeboard.

But the two largest companies, Eastern and Southern, were considered likely to remain independent because of their size and reputation for strong management, while Norweb was also thought likely to resist the embrace of larger companies.

The market has eventually been proved right about the smaller companies' attractions but it was not until the last fortnight that Seeboard announced an agreed bid for its shares and Swalec was revealed as a target of Welsh Water.

The market, however, was wrong about other assumptions. Trafalgar announced it was no longer interested in Northern, which remains happily on the shelf.

But Eastern was one of the first of the recs to cede its independence – it has been taken over by Hanson – and shortly afterwards Southern fell into the arms of National Power. Norweb resisted an initial approach from North West Water only after falling first into the arms of two US companies.

With Midlands and Seeboard having agreed to takeovers by PowerGen and Central and South West, of the US, and Manweb having failed to fight off the attentions of Scottish Power, less than half of the 12 regional electricity companies remain independently quoted on the Stock Exchange.

They cannot afford to sit back and relax. Several US companies are known to be interested in acquiring a rec and there are rumours of other European companies such as RWE of Germany entering the fray.

Some of the remaining rec independents may consider friendly alliances with each other.

Indeed, before the takeover activity began in July the general assumption had been that mergers would be the most likely way by which the industry would be restructured.

However, mergers are not easy to effect, as Southern Electric discovered when it tried to get together this year first with Midlands and then with Sweb.

One problem is that a takeover by one rec of another would be more likely to face a referral by the government to the Monopolies and Mergers Commission than bids from outside the sector.

Another is that the dominant rec would have to justify to its own shareholders why it is paying a premium for the shares of the company it is merging with. A straightforward merger involving the creation of new shares would be unlikely to produce share premiums demanded by investors.

Companies that want to remain independent are being advised by corporate financiers that their best bet is to return value to shareholders before a corporate raider can get its hand on funds.

Share buybacks and special dividends are the favourite methods of doing this. Yorkshire has already announced a £180m special dividend for its shareholders.

Northern has already put into effect a large part of its plans to return value by paying out a £1 special dividend and £1 preference share for each share held. Assuming it goes ahead with further planned payments, it will have doled out more than £500m to shareholders; that is a significant sum when it is considered that the company has never been valued at much more than £1bn on the Stock Exchange. Some investors worry about its future, however. What happens if the Labour party decides to levy a windfall tax on utilities that is even greater than the £3bn it has indicated it intends to collect? Could Northern pay its share?

The handouts could also restrict Northern's ability to extend the business. It should be able to maintain its core distribution and supply businesses but expansion elsewhere, overseas for example, may prove difficult.

Some investors will welcome this. Earlier this year, Yorkshire Electricity consulted its shareholders and found that they felt nervous about its plans to buy foreign companies. As a result, it decided to close its overseas division and concentrate on existing businesses.

> Concentrating on core activity is by no means a recipe for success or City approval

East Midlands Electricity has also found favour with investors for concentrating on distribution. It learnt its lesson the hard way by buying several businesses, including contracting, which went wrong and ended up costing it money.

But concentrating on the core is by no means a recipe for success or City approval. Of the 12 recs, Manweb has been the most faithful to its roots. It is, for example, the only one not to take part in gas-fired generation projects.

At first, the stock market liked the strategy but about a year ago investors started to mark its shares down, partly in reaction to concern about tighter regulation of the core business.

When Scottish Power decided to expand its business by buying a rec, it saw Manweb as the perfect target, in part because it could point to what it believed were the unexciting prospects of the undiversified Manweb as a stand-alone company. Manweb mounted a strong defence but its shareholders sold out to Scottish Power in the only takeover battle in the sector that remained contested until the end.

Most of the companies that have agreed to be taken over were among the more adventurous in the pack in terms of diversification and it was partly for that reason that they became attractive to predators.

Eastern had decided to become a diversified energy company with growing interests in generation, electricity supply (trading) and in both the exploration and supply of gas. Hanson likes the strategy and intends to strengthen it.

Southern and Midlands are aggressive in the electricity supply markets, and this attracted National Power and PowerGen respectively.

Both National Power and PowerGen want to be heavily involved in supply when the market is opened up to full competition in 1998 and all consumers are given choice about where to buy electricity supplies from.

By buying Southern and Midlands they can acquire years of expertise in such areas as billing and servicing small customers. National Power and PowerGen were also attracted to the companies' strong balance sheets and their willingness to look abroad for investment opportunities.

National Power and PowerGen are both eager to spread their wings overseas. Analysts believe they are more likely to win contracts if they can boast distribution arms as well as generation expertise in the UK.

Norweb is unusual among the recs because it has already started significant expansion abroad – it owns generation interests in the US – and is keen to increase its retail interests in the UK.

Both factors appealed to Houston Industries and Central and South West, which launched a takeover bid for the company before withdrawing in the face of North West Water's determination to mount a takeover.

Central and South West has now teamed up with Seeboard.

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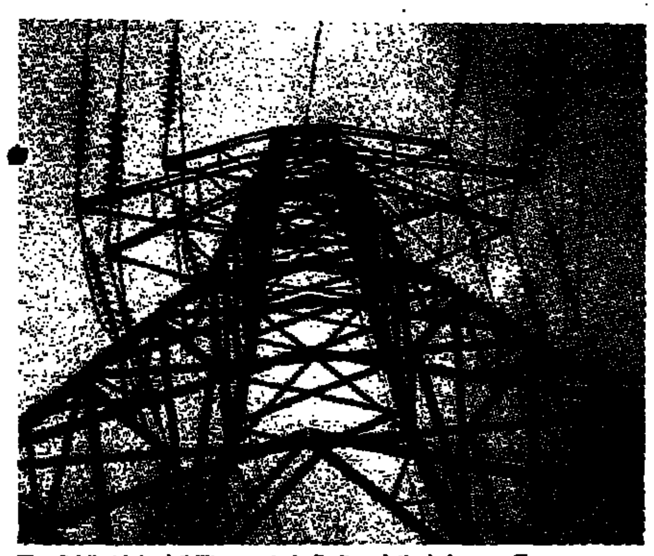
■ **The National Grid:** by David Wighton

Freedom for pylon king

Its demerger from the regional companies leaves the Grid with grand plans

The National Grid has waited a long time to escape from its parents. Ownership of the Grid, which operates the transmission system in England and Wales, was divided up between the 12 regional electricity companies when they were privatised five years ago. Calls for it to be demerged began almost immediately, but it is only now that it is finally to get its freedom.

Shares in the newly formed National Grid Group are due to start trading next month, giving the company an approximate value of £3.5bn. Mr David Jones, chief executive, believes the main impact of the demerger will be on the Grid's prospects overseas. "We are the leading, independent, open-access transmission company in the world, which gives us considerable opportunities. The emerging markets of Asia are all coming forward with independent power projects and they need the transmission as well," he says.



The Grid's high-visibility assets belie its relatively low profile *Ashley Ashwood*

But to make investments outside its core business, the Grid has required the agreement of its 12 regional electricity company shareholders, which, as the wrangling over the Grid's demerger demonstrated, have increasingly divergent interests. "We will be masters of our own destiny," says Mr Jones.

Bigger than any of its original parents, the Grid will be the third largest company in the electricity sector.

Despite its size, however, and despite the visibility of many of its assets – particularly its 21,000 pylons – it generally has a low public profile. It might well, of course, argue that that is all to its credit. Its direct customers are a handful of electricity generators, suppliers and large users, and most domestic consumers are only aware of it if something goes wrong. Give or take the odd hurricane, this hardly ever happens.

In addition to maintaining the infrastructure, the Grid is responsible for ensuring that there are always enough power stations running to meet demand and that they are used in the most economical way.

This is a tricky business. Just how tricky was highlighted by the events of July 19. Demand was greater than expected in the morning and a number of power stations were taken out of operation at short notice, leaving the Grid low on capacity in the south of England. Although there was no question of power cuts, it was forced to consider voltage reductions before the crisis passed.

The Grid's job is made more difficult by the fact that it has no direct control over the power stations. Before privatisation, it was managed alongside the power stations as part of the Central Electricity Generating Board. This meant that both short and long-term planning of power generation was done with the requirements of the transmission network in mind.

Under the terms of its licence, the Grid is required to connect new stations to the network for an appropriate fee. These fees vary according to where the stations are located. The idea is to encourage the building of new capacity in the south of England, where there is a shortage of generation, and discourage it in the north where there is a surplus.

Thanks to the rash of new gas-fired stations, connection fees have, over the past two years, provided a useful boost to the Grid's income.

But the vast majority of its revenue consists of charges for the use of the network. These are controlled under a formula laid down by Offer, the electricity regulator.

Since April 1 1993, the revenues have been allowed to increase only by inflation minus 3 per cent. The most significant event for the Grid over the next few years will be the announcement next summer of its new pricing regime.

The new cap, effective from March 1997, is likely to be tighter still. This means that meaningful profit growth in the regulated business will come largely from cost cutting.

The Grid has been as successful as its parents at reducing its costs, slashing staff numbers by 30 per cent to 4,500 since privatisation.

There is every sign that there is more to come. The recent reorganisation of the company, which separated network operation from maintenance and construction, is expected to put further pressure on costs, while the new National Control Centre at Wokingham, completed in 1993, will allow most of the regional centres to be closed.

As a result, the stockbrokers County NatWest predict that the wage bill in 1997 will be 12 per cent below the 1994 figure, excluding redundancy costs.

In addition to the transmission system, the company owns the two interconnectors that join the England and Wales grid to Scotland and France, and is responsible for the operation of the pool, the wholesale electricity market.

Its two pump storage power stations in Wales are being transferred to the recs and are up for sale, leaving Energis as its only significant non-transmission business in the UK.

The result of a £300m investment, Energis is a telecommunications business based on a 3,500km network of fibre-optic cable strung on the Grid's transmission pylons.

Although the Grid has high hopes for it, City opinion is divided over its value – its start-up losses last year totalled £53m. Analysts believe the Grid will sell all the business – or a large stake in it – in due course.

One reason some of the recs were reluctant to see the Grid leave home was that it helped pay the bills – they received £165m in dividends last year. The Grid, however, intends to continue its generous dividend policy when demerged, predicting annual increases of more than 8 per cent over the next two years.

The payment of a one-off special dividend to the recs will leave the Grid with gearing of more than 100 per cent. But its strong cash flow will mean it has ample resources for investment in the UK and overseas.

It was recently awarded a concession to build and own a transmission project in Pakistan and is looking at projects elsewhere in Asia and eastern Europe. It has made it clear, however, that it will not go on a spending spree as soon as it gets its own cheque book.

■ **Scotland:** by Michael Smith

Ambitions lie south

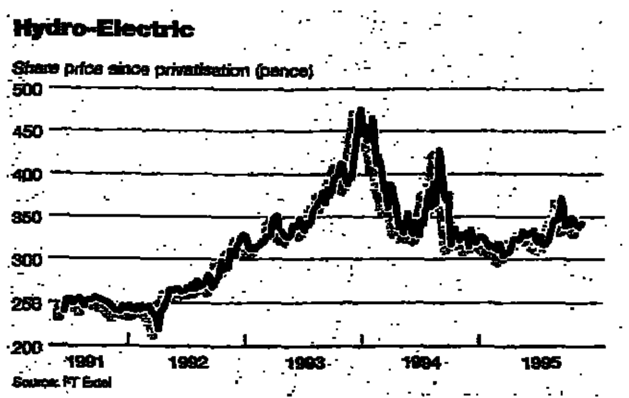
Scottish Power and *Hydro-Electric* have the same purpose but different strategies

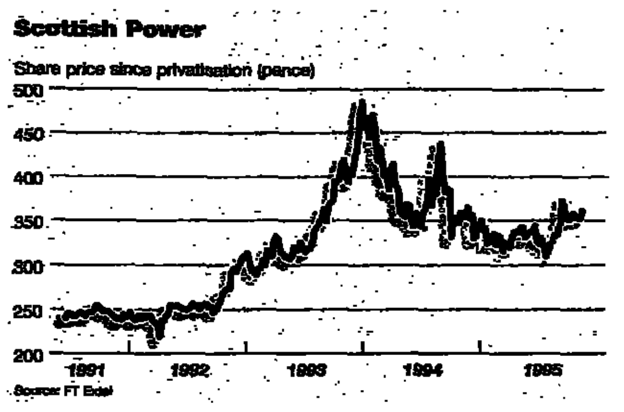
With opportunities for increasing electricity sales within Scotland limited, both Scottish Power and Hydro-Electric consider England and Wales a main plank in their expansion plans. But they are adopting different strategies.

Whereas Scottish Power has bought Manweb, the Chester-based regional electricity company that has concentrated on power distribution, Hydro is more interested in power generation and supply (trading) opportunities.

The former's strategy took a *somewhat surprising turn* recently. Its purchase of a regional electricity company had long been predicted by City analysts. But the assumption had been that its preferred choice would be Northern Electric.

Mr Ian Robinson, who became Scottish Power chief executive earlier this year, must have been sorely tempted to go for Northern: there could have been considerable cost savings in taking over a neighbouring company. But he *resisted, believing a bid could* have launched Scottish Power into a pitched battle with the conglomerate Trafalgar House.





Trafalgar subsequently announced its intention not to bid for Northern, but by that time Scottish had already revealed plans to buy Manweb.

Although the two companies are separated geographically, the City came to see the wisdom of the Scottish Power and Manweb union.

Scottish Power's management is well regarded. In addition, analysts had lost some of their faith in Manweb, partly as a result of the company's determination to stick to its core businesses rather than diversify.

The Scottish company won the day after increasing the value of its offer to £1.1bn. Its success has been replicated in the retail sector. Last year it turned in an operating profit *from its shops of £10m on sales* of £200m. Back in 1990, the year before it was privatised, it *lost £5m on sales of £32m*, made in about 70 shops. The turnaround makes it one of the *few electricity companies* to be successful at retailing.

Following purchases of shops formerly run by Rumbelows, Clydesdale and Manweb (even before the takeover battle) it has 160 stores, managed under a variety of different identities. In England and Wales the outlets are all superstores, a format that provides the most attractive margins.

Scottish Power also has big ambitions in telecommunications and has already invested £30m in its ScottishTelecom subsidiary, mainly aimed towards businesses and colleges.

Hydro-Electric, on the other hand, rejected a move into telecommunications after deciding that the £40m to £50m capital expenditure it estimated it required would not provide sufficient returns.

Unlike power companies south of the border, it has retained its high-street shops to help provide customers with easy access to its services, but has no plans to expand in retailing, which it believes is best left to the specialists.

Instead, its focus is on its specialism – energy. Accordingly, it plans to be a supplier of gas throughout the country.

In electricity, Hydro-Electric has, like Scottish Power, already made use of the interconnector between England and Scotland to export excess supplies. Opportunities for both companies will increase with the upgrading of the interconnector, likely later in *the decade*.

Hydro has interests in four combined *heat* and power projects in England and expects to add another two each year. In *addition, its 780MW* Keadby power station, a joint venture with the Norweb electricity company, is expected to be fully commissioned by Christmas, and the company is negotiating with British Gas to take a stake in its project for a 730MW power station near Bristol.

The company hopes to extend its generation interests further by buying those of the National Grid, the England and Wales transmission company that are up for sale. However, competition is intense.

Hydro is unlikely to follow Scottish Power's lead in buying a regional electricity company in England and Wales. "The ideal opportunity would be one that provided us with a large supply business," says Mr Mike Keohane, head of corporate communications. "We believe it is possible to develop our options without buying the distribution element of a regional electricity company."

NIE share price soars

The government took no chances when it privatised Northern Ireland Electricity two years ago.

Fearful that the political problems of the province could frighten off investors from buying shares, it offered the company on what most investors and analysts considered favourable terms.

The company's shares have more than doubled in value in two and a half years and have outperformed the sector by a considerable margin.

This has been viewed unenthusiastically by consumers, who this year have suffered price rises averaging 6 per cent.

The company blames the rises on increases in the price of oil, which generates a large proportion of the province's electricity.

But even if the rises are out *of NIE's control, some* analysts are concerned that the public's adverse reaction will increase pressure for a tough regulatory review next summer.

NIE operates under a different regulatory framework from that on the UK mainland.

While pricing formulae covering the England, Wales and Scotland distribution and supply companies are settled until 2000 – in theory at least – next year's review at NIE *will take effect from 1997.*

Undoubtedly, the price controls will be much *tougher than those in place.* Currently, the company is allowed to increase prices in the main distribution business by 3.5 percentage points above inflation.

Some investors are concerned that the regulator may try to impose even harsher controls than those given to the mainland regional companies. They fear he may take a dim view of the company incurring less operating and capital expenditure than it forecast at privatisation.

However, analysts believe the precedent of the recs' regulatory review is that NIE will not be penalised for underspending.

In addition, the company has an impressive cost-cutting record. In just two years it has reduced its staff numbers by 28 per cent – something most recs have only been able to do in five.

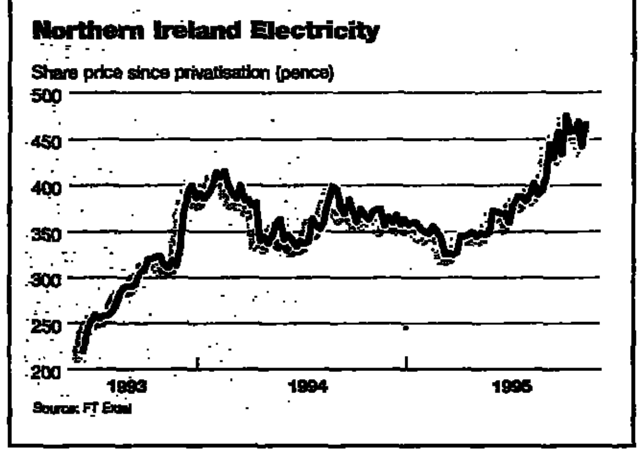
Whatever happens to the company's share price, shareholders seem assured of a big growth in dividends over the next two years.

NIE has taken advantage of the strong balance sheet it was blessed with at privatisation to effect share buybacks. Some analysts believe it will increase annual dividends by 20 per cent this year and next.

Beyond that, dividend growth is likely to fall rapidly but even then it could reach 10 per cent a year, according to some analysts. The company will enjoy additional opportunities through the Scotland and *Northern electricity* interconnector it is helping to finance.

It may also enter joint ventures to supply natural gas.

These factors will enable it to offset at least some of the effects of the tighter regulation that is expected.



■ **Competition:** by David Wighton

A 'big bang' that could backfire

Deregulation in 1998 is intended to benefit domestic users. But sceptics are plentiful

If all executives of UK electricity and gas suppliers had already bought their 1998 diaries, one date would circled in red: April 1.

On that day, the domestic supply monopolies in both gas and electricity will be broken, allowing 22m consumers to shop around *for the best buy.*

Their supplies will still be delivered through the network *owned by British Gas or* their regional electricity company. But the gas itself could be supplied by the electricity company and the electricity by British Gas.

A great deal needs to be done before either industry is ready for this revolution, but it is already having an effect. The *wave of bids in the electricity* sector is driven partly by the threats and opportunities posed by 1998. It also explains the gas regulator's concerns about contracts that commit British Gas to pay for £40bn of gas over the next 10 years.

Yet some sceptics believe the big bang could prove to be a *damp squib, at least in electric*ity. They point out that competition is only being introduced into electricity supply (that is the buying and selling of electricity). The actual distribution through the wires will remain a local monopoly, while generation is already competitive. Supply is a relatively small *business, accounting for only* 7 per cent of household bills. And the suppliers' margins are thin.

That suggests that suppliers have little hope of reducing their prices. Domestic customers, however, are unlikely to be persuaded to switch without *the prospect of significant* savings.

Mr Tony Boorman, who heads the 1998 project at Offer, the electicity regulator, admits that there will be a lot of inertia. But he argues that the focus on the supply business misses the point of 1998. "Competition in supply is not about having the most effective billing system, it is about who buys electricity from which generator. *Ultimately*, the customer will be making decisions about the whole system."

At *present*, suppliers can pass high generation costs on to the consumer. But after 1998, if their generation costs are too high, their customers will be able to go elsewhere.

Mr Boorman believes the prospect of 1998 is already having an influence on the generation market. "It makes people *think very hard about the deci*sion they are taking," he says.

Nineteen ninety eight also sees the end of the main long-term contracts between the two biggest coal-burning generators – National Power and PowerGen – and the regional electricity companies. For both generators and suppliers, *life will suddenly* become much more uncertain.

In an attempt to reduce that uncertainty, both the generators have made bids for two of the largest regional electricity companies: Southern Electric and Midlands Electricity.

National Power and PowerGen want to expand into domestic supply, partly because they fear that the profitability of generation will fall and the returns on supply will rise. In order to compete effectively in the domestic market, they argue that they need the skills and systems that the recs can provide. Their critics suggest that what the recs really provide is a *fairly* secure market for their electricity.

Yet, even if all the two recs' requirements were met by their parent generators, it would account for well under half of the generators' output. The rest would have been sold elsewhere.

If recent experience in the industrial and commercial market is anything to go by, the introduction of competition into domestic supply will have a significant impact.

The 5,000 largest electricity consumers in the country have been free to shop around since 1990 and two-thirds of them have now switched suppliers. When the market was opened further last year, adding another 50,000 customers, some electricity companies predicted that relatively few would change. *In the event, a quarter* moved in the first year.

Yet in another sense, recent experience has been far from encouraging. Partly because so many customers switched in 1994, suppliers' systems were overwhelmed and companies still have tens of millions of pounds worth of disputed bills.

Recs direct some of the blame on the regulator, Professor Stephen Littlechild, who *decided just three weeks before* the market was opened that customers would not be required to have "intelligent meters". These record consumption every half-hour, allowing suppliers to charge according to the *wholesale* electricity price, which is set every 30 minutes.

For customers that do not have such meters, suppliers have to estimate their pattern of consumption before charging them. Not surprisingly, this has proved a fertile source of disputes.

The potential problems will be hugely magnified in the domestic market where a requirement *for intelligent* meters has been ruled out on cost grounds.

In the light of last year's problems, consultants Coopers and Lybrand and the Commons Trade and Industry committee both expressed concern about the industry's lack of preparation and poor co-ordination for 1998. Offer subsequently agreed to take on the *role of co-ordinator, with the* pool responsible for the development of the central systems.

Although Offer's initiatives have reassured some of the doubters, serious obstacles remain. The recs have a long way to go before their own systems can cope with 1998. More worryingly, work has not yet started on the central system that will be required to settle accounts between suppliers.

"We are talking about one of the biggest new data collection and processing *systems* in the country. It is a huge task," says the chief executive of one rec.

Before work can start, the thorny issue of who will pay for it must be settled. Cost estimates start at around £300m so it is not surprising that there is disagreement as to how the burden should be shared.

Another unresolved question is whether there will be trials involving real customers. For gas, where 1998 preparations are further advanced, there will be a trial using 500,000 *consumers in the south west* starting next year. Prof Littlechild is keen on customer tests but some companies believe they will distract attention from the main issues and cause delays that cannot be accommodated.

In private, some executives remain gloomy about the industry's ability to meet the deadline. Says one chief executive: "It is still possible. But it *is going to be very, very tight."*

■ **Executive pay:** by William Lewis

Labour given an easy target

Criticism has come from both sides of the political spectrum, but the worst may be over

Executives of privatised companies have achieved an unusual feat in the past few months – uniting Labour and Conservative MPs in criticism of their salary and share option packages.

Asked in February by Mr Tony Blair, leader of the Opposition, whether he shared public anger at the pay awards, the prime minister, Mr John Major, was unequivocal. "Yes, I do find these payments as distasteful as you and, I dare say, many other people as well. Where they cannot be justified, I do believe they bring the system into disrepute," he replied.

The prime minister's comments followed several years of campaigning by Mr Gordon Brown, shadow chancellor, during which time he has developed privatised executive pay into one of the Labour party's most effective campaign themes.

"There is no doubt it has been made easy for Labour," a government minister said. "Almost on a weekly basis they have been provided with yet another so-called scandal to exploit."

Other than Mr Cedric Brown, the chief executive of British Gas, directors of electricity companies have been the most fiercely criticised for their pay packages.

Directors' pay is one of the main reasons why electricity privatisation remains unpopular with voters.

Since privatisation, attacks have focused on three main areas of directors' remuneration packages.

Firstly, basic salary increases, which for many industry executives leapt dramatically immediately after privatisation. Strong share price performance then led to further large salary increases.

Secondly, share options which have yielded some executives profits before tax of up to £1m.

Thirdly, pay-offs to executives forced to resign as a result of takeovers or management changes. Most industry executives were awarded three-year rolling contracts at privatisation and executives' share options have also formed part of severance payouts. Directors of companies that have been taken over but who have kept their jobs have also benefited through their share options being bought out in the takeover process.

As a result, there have been numerous embarrassing revelations this year:

- In January, PowerGen revealed that its directors had been awarded basic salary increases of up to 14 per cent as well as thousands of new executive share options. Mr Ed Wallis, chief executive, received an increase of £25,000 – or 9 per cent – taking his basic pay to £300,000. He was also given 53,500 share options that can be exercised in five years' time if certain performance criteria are met. In April 1994 Mr Wallis cashed in share options worth £905,000. His basic salary when PowerGen was privatised in 1991 was £75,690.
- In February, on the day the government announced its plans to sell off its remaining 40 per cent shareholdings in National Power and PowerGen, Labour released research showing directors and senior executives of both companies were sitting on profits from share options worth £23m.
- In August, three directors of London Electricity realised total cash profits of just under £1m through exercising and selling share options.

PowerGen's Ed Wallis: cashed in share options worth £905,000

- Last month, directors of the National Grid transmission company were heavily criticised by executives of other power companies, as well as politicians, for insisting on accepting more than £300,000 in special dividends when the grid is floated. Sir Keith Stuart, chairman of the Seeboard regional electricity company, said it was quite wrong that the directors would benefit from the dividend, which was designed to pay for customer discounts and capital gains tax. The row enabled Labour's Mr Brown to say: "Yet again the Tories of the boardroom of our privatised utilities come before the consumer and the taxpayer."

Nevertheless, in recent weeks industry executives have begun to believe that the worst is over. "We have weathered the storm and it should be a lot better now," one non-executive director of a regional electricity company said.

For those companies which have been taken over, far less information on directors' pay will now have to disclosed.

For example, as a subsidiary of Hanson, Eastern Electricity, a regional electricity company, will no longer have to provide the same level of detail on its executives' remuneration in its annual report or provide access to its directors' service contracts as it was previously required under company law to do.

The reforms suggested by the Greenbury committee on executive pay are also highlighted by some as another reason why the criticism of electricity executives is likely to diminish.

Contrary to expectation, the report, published last July, was critical of privatised company directors. It stated that "there is little doubt that the remuneration committees of a number of companies in the water and energy sectors have developed, perhaps unintentionally, remuneration packages that are richer than is required to recruit, retain and motivate quality managers".

It concluded that "the privatised water and energy companies should review comprehensively their existing remuneration packages" and "make a full report to shareholders for discussion at the first available annual meeting".

But the report said some privatised companies had already "taken steps to redress the balance where the decisions of their remuneration committees have led to a richness of reward that may not have been intended or has proved unjustifiable".

For example in April, before publication of the Greenbury report, Yorkshire Electricity announced that its directors would not be awarded any new share options.

A recent study by remuneration experts at Arthur Andersen, the accountancy firm, concluded that companies in the energy sector, which include electricity companies, had the highest average level of compliance with the Greenbury report's recommendations.

But some pay consultants suggest that rather than help placate public anger, implementation of the report could achieve just the opposite and reignite the pay row.

In particular, Greenbury's suggestion that public companies be forced to disclose far more about their directors' pay "will equip critics with even more ammunition to damn them as fat cats", one consultant says.

Greenbury's recommendation on pension disclosure is the most extreme example, with experts describing it as a "hidden bombshell", not just for privatised companies.

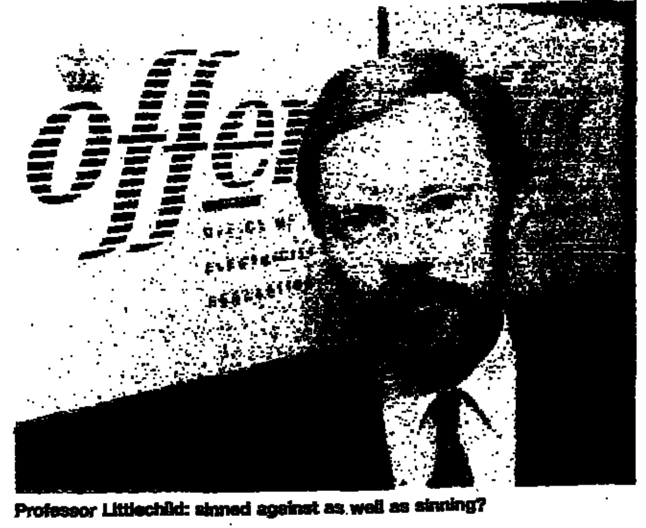
New Bridge Street, which advises public companies on executive remuneration structures, says that if companies are forced to follow Greenbury's recommendation on pensions, "total emoluments disclosed for directors typically might increase by 20 to 25 per cent". It says that in some instances the increase could be as high as 50 per cent.

With every electricity company also committed to announcing the findings of its Greenbury-inspired pay review at its next annual meeting, it seems certain that the storm clouds will remain overhead in the run-up to the next general election.

■ **Regulation:** by Michael Smith

Why it's a watchdog's life

The maligned Professor Stephen Littlechild may have had a harder task than his peers



Professor Littlechild: sinned against as well as sinning?

The regulator's lot is rarely a happy one. But few have had as miserable a time recently as Professor Stephen Littlechild, the UK electricity regulator.

He has faced criticism from every quarter. Consumers, politicians, power companies and investors have all been infuriated at times by his decisions and by the manner in which he has reached them.

Even the government, which appointed him, appears to give scant regard to his advice. Ministers ignored his recommendations to refer takeover bids for several regional electricity companies (recs) to the Monopolies and Mergers Commission.

The result of what critics see as a series of misjudgments is a diminution not only of his own standing but also of the reputation of the regulatory system he helped the government to develop.

But is he really as much to blame as the critics say? And should the regulatory system be overhauled in the way the Labour party and others want?

Retrospective assessments of Prof Littlechild's office may show that he faced a considerably more difficult task than his fellow utility regulators.

With a score of companies to watch over, the electricity industry is both more diffuse and complicated than gas, water and telecommunications.

In addition, Prof Littlechild has been diverted from his primary task of regulating the natural monopoly businesses of power distribution and transmission by the government's failure to introduce what most industry observers regard as an adequate amount of competition into generation.

With National Power and PowerGen owning the vast majority of power stations after privatisation, Prof Littlechild has felt forced to intervene in a market he would have preferred to leave to the forces of competition.

His intervention is beginning to bear fruit, particularly as both National Power and PowerGen are falling into line with their commitments to dispose of 6,000MW of capacity.

Prof Littlechild wrung the commitments out of the generators in intense negotiations at the start of last year at a time when he was preparing the ground for the most important decision of his tenure of office – the 1995-2000 price controls on the regional electricity companies.

But when he announced the rec controls in August 1994, they were widely criticised as being too lenient on the companies. Seven months later, after considerable prevarication, he amazed investors and consumers alike by announcing plans to tighten them.

It was a humiliating climbdown for a man who considers consistency and certainty to be the cornerstone of UK regulation. He reasoned that circumstances had changed, largely because Northern Electric, one of the recs, planned to hand back more than £500m to shareholders.

Most industry executives feel that such packages had always been possible but that Prof Littlechild and his staff failed to ask the right questions about balance sheets and borrowings when they announced the first price controls. "They didn't do their homework properly," says one.

Whatever the rights and wrongs, the regulator's about-turn in March 1995 was greeted with fury by the City, particularly as it came the day after the government had sold large stakes in the generation companies. Like rec shares, generator stocks plummeted as the decision focused minds on how all utilities could be affected by regulation.

Some institutional investors questioned whether the job of regulating an industry was too big for one person.

However, there seems little momentum behind an idea floated last year by Mr John Baker, chairman of National Power, that there should be a college of regulators overseeing several of the utilities.

And if the Tory government were re-elected in 1997, it would consider a further concentration of power by appointing a single regulator to watch over both the gas and electricity industries.

That is because the electricity and gas supply markets are being opened up to full competition after 1998 and many companies will be operating in both as integrated utility groups.

Labour, too, is cool on the idea of a regulatory college. It is planning a much more significant set of reforms.

Its target would be the so-called "RPI minus x" system by which prices are allowed to rise by a set level of percentage points below inflation each year through a formula fixed for several years in advance.

Prof Littlechild in his second review set controls for distribution businesses at an average of about 9.5 per cent below inflation in this and the next four years.

Some critics believe even that is too lenient, given the recs' ability to cut costs.

Mr Jack Cunningham, former Labour industry spokesman, says a fundamental problem of the current regime is that the regulator is at an informational disadvantage to the companies' managements.

"The regulator finds it difficult to find out the true costs facing the utility, and the scope for increasing efficiency, since the management have a clear incentive to obscure the picture. This means there is a built-in tendency for the price caps to be too loose," he says.

His solution is a profit-sharing system whereby profits above a certain pre-determined level would be divided between consumers and shareholders. This, he says, is radically different from the "rate of return" system in the US which critics say encourages companies to spend but provides no incentives to improve efficiency.

Although Mrs Margaret Beckett, former Labour deputy leader, has taken over from Mr Cunningham as industry spokesman, the broad thrust of the policy has been endorsed by Mr Tony Blair, Labour leader, and work is likely to continue on developing it.

Prof Littlechild argues that the difficulties experienced in the rec price controls are not generic to the "RPI minus x" regime.

He believes they reflect the recs' initial capital structures – seen by most in retrospect to have been over-generous – and the deferral of takeovers through the government's ownership of golden shares.

"Recent concerns about the rec distribution price controls are more properly associated with decisions taken at the initial flotation," he says. "The 'RPI minus x' form of controls has achieved a great deal for customers in all the utilities, not least electricity."

Prof Littlechild says he is prepared to consider price control modifications, provided they are consistent with encouraging greater efficiency.

But few people expect him to stick around if Labour wins the next election and implements its profit-sharing proposals. Nor would Labour want him to stay.